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The State We Are In:
Inequality in Ireland 2020

Author: Robert Sweeney

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Preface

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Shana Cohen, Director, TASC

Rising inequality rates all over the world have been associated with political (not to mention economic) upheaval and the power of populist movements. Beyond politics, though, inequality is increasingly visible in its effects, from declining life expectancy rates to homelessness to a growing problem of hunger in wealthy countries. In fact, the consequences of inequality are so apparent and urgent that it has become a mainstream concern, with international organisations like the OECD stating that something must be done. Continuing to study inequality is thus important because we need to understand what causes it and what can be done effectively to reduce it.

TASC, in partnership with the Foundation for European Progressive Studies, has been at the forefront in analysing trends in economic inequality, not only in Ireland but across the continent of Europe. This year represents the second edition of the State we are in, which is an annual analysis of inequality in Ireland. This follows on from TASC's larger series, Cherishing All Equally, which has sometimes had a broader focus, such as housing and inequality in the EU. Later this year, the fifth and final edition of Cherishing All Equally will be released. This year's focus will be on inequality and care.

The focus of this edition of the *State we are in* is a topic particularly relevant for Ireland, market inequality. Market inequality is inequality of income before taxes and transfers. According to many measures, Ireland has the highest rates of market inequality in the OECD. The reasons, as this report lays out, are multifaceted. For individuals, wage inequality is especially salient. After household pooling of resources, it is not only wage inequality, but also joblessness that is important. A variety of measures are required to tackle market inequality, from expansion of public services to recognition of collective bargaining rights to higher minimum wage to decrease differentials in wages within companies.

The essential message from the report is that beyond informing our understanding of inequality, data shows us how we can (and should) develop policies that not only recognize the importance of greater equality as morally right and a political necessity but also are effective in pursuing it.

1. Introduction

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- The top 1% appear to have increased their share of income in recent years
- Ireland has medium levels of inequality after taxes and transfers but among the highest before
- Individual inequality is mostly driven by wage inequality
- High rates of low pay is not due to Ireland having large hospitality and retail sectors
- After pooling of incomes among household members, it is both wage inequality and joblessness that causes Ireland's high market inequality
- Supports, such as expansion of childcare services, would help expand employment
- Greater worker protections, such as collective bargaining, would help reduce wage inequality

Ireland has undergone rapid transformation in recent years. Economically laggard and culturally conservative, it had long been known for its contrast, rather than similarity with its neighbours. A small, island economy located on the periphery of Europe, the *Economist* famously described it as the 'Poorest of the rich' in 1987. It is now, though, caught up, or is at least catching up. A decade or so later the same publication labelled it as 'Europe's shining light. Recent referenda on marriage equality and reproductive rights underpin how cultural change has also taken place. The latest appearance on the front cover makes reference to the historic 2020 general election (The Economist, February 15th 2020).

One area where Ireland continues to distinguish itself is in the nature of its welfare state and system of distribution. Ireland has what is sometimes termed a 'transfer rich, service poor' welfare system. Taxation and especially monetary transfers do much to narrow the income gap between the rich and the poor. Unlike most continental and Northern European countries, Ireland lacks universal provision of public services. Its health system, for instance, is a public-private mix relying on both state provision and private actors. Organised labour is similarly not integrated in setting pay across sectors like it is elsewhere.

With an apparent appetite for change, Ireland has choices to make. There are growing demands for a welfare state and system of economic provision that goes beyond income supports, be it greater public provision of housing, childcare, or other public services. In the coming years public spending is already set to increase as the burden of ageing puts pressure on public pensions, and likely the healthcare system too. If actioned, more expansive public services will also strain the public finances. The question then arises: what is left to address income inequality?

In terms of inequality, Ireland does not appear so unusual. As highlighted by last year's edition of *The State we are in*, inequality in Ireland currently ranks in the middle among EU countries when measured in terms of disposable income. It's not that Ireland has always done quite well. Rather, it is that other countries have become more unequal over time, and things have apparently remained the same here. Ireland's historically high levels of inequality are now the norm.

Where Ireland does differ is in its high levels of market inequality. Market inequality is income inequality before taxes and transfers and Ireland has the highest, or among the highest, levels in the OECD.

The reasons are complex and politically contentious. On the one hand wages, the most important component of market income, are unequally distributed in Ireland. There are many people working in jobs that are poorly paid, widening the gap between top and bottom. On the other hand, Ireland has many households with no person in paid employment. This leaves many people with zero market income, which also exacerbates inequality. The policy implications of which force dominates are clear. To the extent that joblessness is important expanding employment among low-income households is a key policy lever. To the extent income from employment is, a more equal distribution of wages is called for.

Addressing inequality 'through the market' is desirable in an Irish context for a number of reasons. For one, Ireland's welfare system is already among the most redistributive when it comes to income - the state already does a lot of heavy lifting. If Ireland's historically high levels of inequality are to be reduced further, it's reasonable for a large portion of the reduction to come from a more equal distribution of income before taxes and transfers. This simplifies redistribution as there is less of a need for the tax authorities to go chasing high incomes, and less of an incentive for those at the top to hide them. There is also less need to worry about the unintended employment consequences of relying on benefits to address inequality.

This report explores some of the issues about how this might be achieved. It examines income inequality in Ireland with a particular emphasis on the distribution of income before taxes and transfers, namely market inequality. Relying on the EU Survey on Income and Living Conditions (EU-SILC), it asks why market income is so unequally distributed in Ireland and what role labour income/wage inequality and joblessness play in this regard. It also examines low pay work and what drives Ireland's low pay economy.

The report looks at both personal income, and income after it is shared between household members, household income per person. It finds that in the case of personal income wages and low pay are the most important drivers of Ireland standing as a highly unequal country in market income terms, though low employment reinforces it. For household income per person, the results are more mixed. Both an unequal distribution of wages and joblessness are now important. Expanding employment among the poor would move Ireland towards the middle in the inequality rankings. More to the point, though, the better paid the poor are, the bigger the reduction in inequality is as they take up jobs.

The layout of this report is as follows. Section 2 overviews some trends in inequality and places Ireland in an international context. Section 3 examines the determinants of inequality of personal market income. Section 4 does the same except the focus is now on household income per person. Section 5 discusses the findings and Section 6 concludes.

2. Inequality in Ireland: trends and comparative perspectives

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This section examines trends in the distribution of income in Ireland over time and compares Ireland to other EU economies. The survey data indicate that inequality is stable, though confidence in this finding is weakened by the tax data, which shows that incomes are becoming more concentrated. Whatever the true level of inequality is, Ireland appears to have average levels of income inequality by EU standards. Its redistributive welfare state prevents a highly inegalitarian distribution of market income from translating into a commensurately skewed distribution of disposable income.

2.1 Trends through time using the Gini coefficient

Before we discuss trends in inequality, it is necessary to clarify some concepts. Income is subject to competing definitions. Disposable income is income after taxes and transfers – it is what people have at their disposal. Income before taxes and transfers take effect is, as previously discussed, known as market income. It is often defined to be the sum of wages, self-employment income, income from private pensions, rental income, and income from owning financial assets. It is income that is earned through the market, and a central focus of this report. Income could also simply be defined as wages. Under this regime, inequality may then be concerned with how salaries are distributed, which we also deal with.

Just as there are many definitions of income, there are many ways to measure how equally or unequally distributed it is. The most easy-to-understand definition looks at the share of annual income that some group, such as the top ten percent of earners, receives. Perhaps the most common measure, at least among policymakers, is the Gini coefficient of equivalised household disposable income, or just equivalised disposable income. The Gini coefficient is an index of inequality with higher values indicating more inequality. A value of 0 indicates perfect equality, when everyone receives the same amount of income, and a value of 1 signifies one person receiving all income, complete inequality. Equivalised means household income per person (and adjusted for the composition of the household).[1] So if there were two households where the first had two people and a total household income of 100, and the second had three people and a total household income of 600, the society would be considered to have two people earning 50 and three people earning 200.

The Gini coefficient of equivalised disposable income has several advantages. Unlike rival measures, the Gini coefficient considers all individuals in society, not just the top earners. Measuring income as household income per person captures the fact that income is shared between members, though the assumption it is shared equally is questionable. Inequality measured at the person or individual level overstates actual differences in living standards. As per the previous paragraph, a couple living together where only one is in paid employment shares a large portion of their income with the partner who stays

1 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.

at home. Measuring personal income differences would incorrectly claim that one person receives a lot, and the other earns a little.

Figure 1 below shows the evolution of inequality as measured by the Gini coefficient of equivalised disposable income through a period of over thirty years. Following Callan et al. (2018), the graph is constructed from a number of sources and so there are several breaks in the series. The series shows broad stability in the level of inequality from the late-to-mid 1980s to about 1996 and a subsequent modest, but significant fall. As to the fall, part of the reason is the emergence of the Celtic Tiger in 1996, which entailed a large expansion in employment. More people at work implies more people earning income, so inequality tends to fall. Since the 1990s, though, there has been stability. As we discuss more fully later, wages are an important component of income, and the distribution of wages also became more equal in the Celtic Tiger period (Voitchovsky et al., 2012).

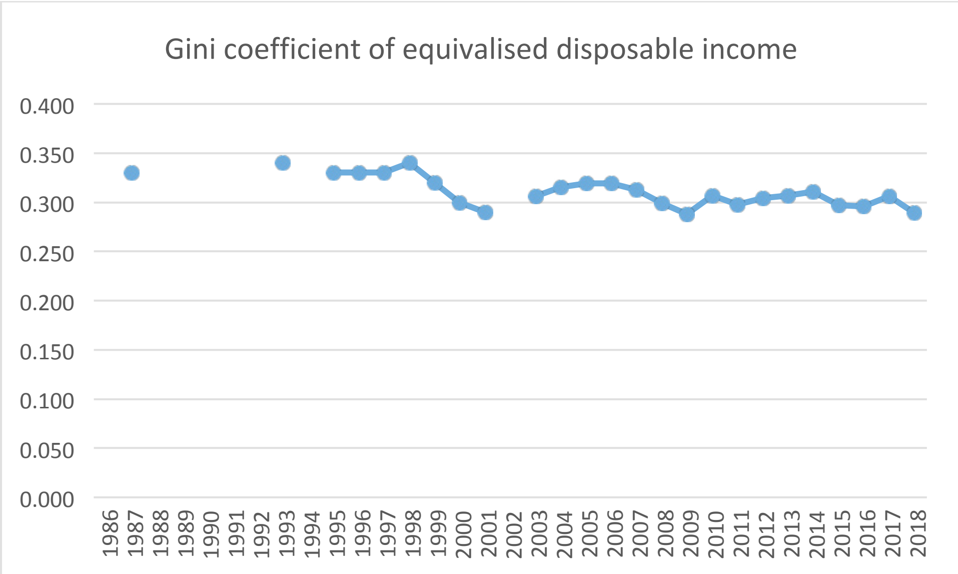

Figure 1: Inequality in Ireland through time.

Sources: Eurostat, Nolan and Maitre (2000).

While disposable income is the best measure of the spending power available to people, and hence differences in disposable income provides a meaningful measure of inequality, disposable income says less about how public policy or the welfare state affects outcomes. This is because it measures how much income is available to spend, after taxes have been paid and transfers have been received. To fully grasp the unequal distribution of resources, it is instructive to look not only at the end result that is disposable income, but to examine the intervening steps that bring us there.

The role of the Irish state in redistributing income is illustrated in Figure 2 below. It shows not only market income inequality, but also gross and disposable income inequality. Ireland is compared to other EU countries for which data is available. Market income is, as before, income earned through the market, mostly income from work but also capital income. Gross income is pre-tax income and is essentially the sum of market income and income from state transfers. Subtract taxes paid, and we are then left with disposable income. As before, we use the Gini coefficient of equivalised income.

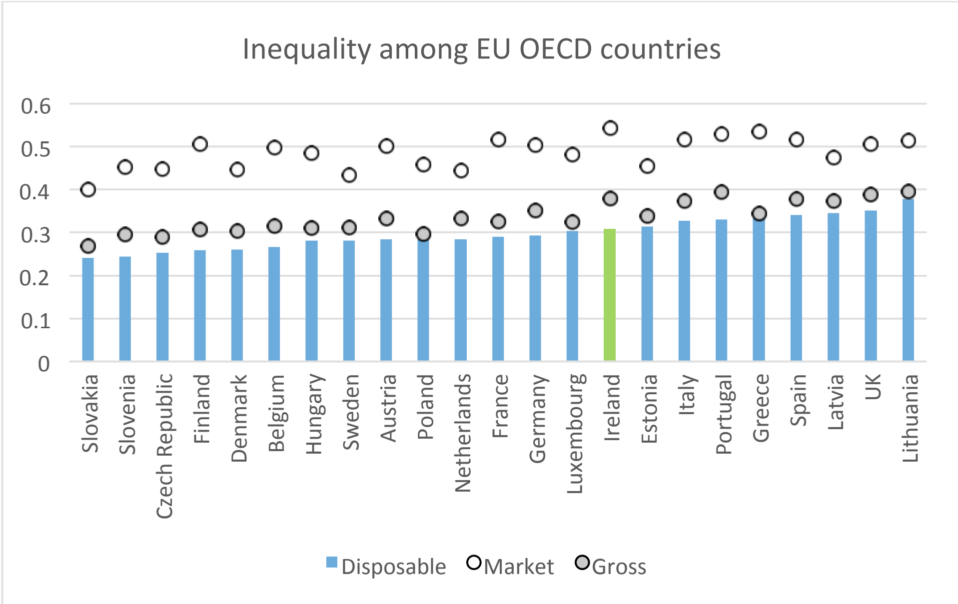

Figure 2: Market, gross, and disposable income inequality in the EU OECD.

Source: OECD.

Countries are arranged from left to right according to increasing disposable income inequality. With a Gini coefficient of 0.24, Slovakia has the most equal distribution of income in the EU. Then comes the neighbouring countries of Slovenia and the Czech Republic, followed by some of the Nordic countries. Wedged between Luxembourg and Estonia, Ireland lies toward the mid-to-high end of the inequality spectrum in Europe, though were all EU countries included Ireland would be in the middle.[2]

A striking feature about Ireland is how high market inequality is. It is the highest among all countries in the figure. It is even higher than Greece where unemployment hovered around 24% in 2016, which is about three times as high as the Irish figure. As discussed in last year's edition of this report, gross or post-transfer/pre-tax inequality is also high here. However, Portugal, the UK, and Lithuania are more unequal on this measure. Indeed, the three measures of inequality in the figure are particularly dispersed in Ireland: its welfare state plays a large role in redistributing income. This is mostly 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 an important role (as evidenced by the distance between gross and disposable income inequality), but not quite as important as transfers.

2.2 Is Ireland different? Evidence using income shares

The main drawback of using the Gini coefficient is that it lacks a straightforward interpretation. A rise or fall in the Gini tells us little about who has gained or lost, and at whose expense or benefit. Moreover, stability in the coefficient does not mean that all groups in society have kept their share of income stable. It is therefore useful to complement our analysis of the previous section with trends using income shares.

2 The above graph is based on OECD data, which has the advantage of separating disposable, market, and gross income inequality. Several EU-28 countries are omitted due to lack of available data. When Bulgaria, Romania, and the remaining countries enter the picture, Ireland moves from being in the mid-to-high group, to being in the middle. Based on the Gini coefficient of disposable income for 2018, Ireland was the 14th most equal out of the 28 countries (Eurostat, 2020).

Figure 3 below shows how the top 10% and top 1% have fared over the past 25 years. As before, income is equivalised disposable income – household income per person after taxes and transfers. Again, the pattern is one of broad stability. The pattern for the top 10% is broadly the same as in Figure 1 for the Gini coefficient. Inequality was highest in 1998 when the top 10% got 28% of national income, after which it has since fallen and stabilised. The top 1% share the same fate as the top 10% as their slice of the pie has also been generally stable. Since 2015, their share has increased from 4.4% to 5.6%, which is significant in relative terms.

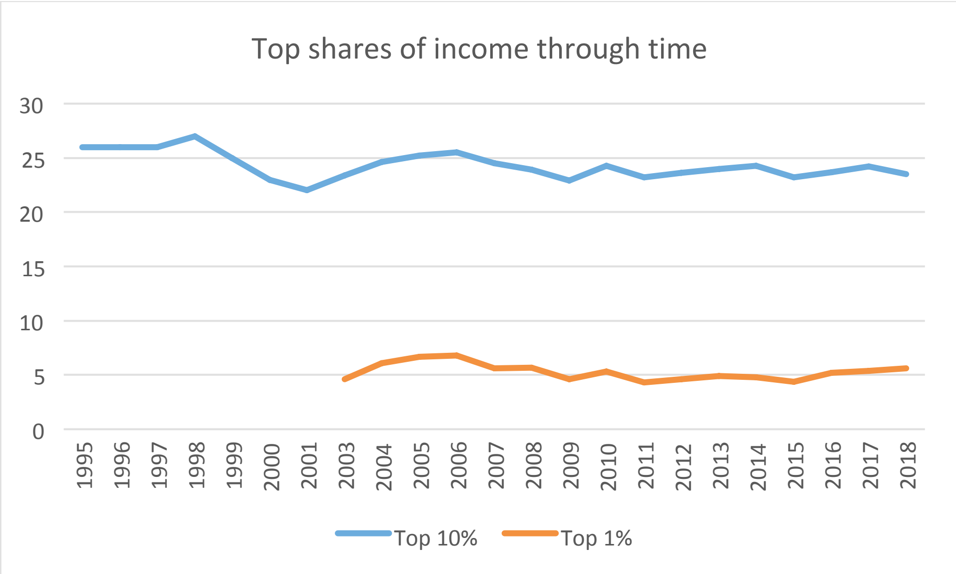

Figure 3: Top income shares through time.

Source: Eurostat

Ireland's apparent pattern of distributional stability bucks the trend internationally and is worth commenting on. Income inequality has been on the rise in most advanced countries, and in much of the developing world too. From the 1980s to the 2000s income inequality grew according to a range of standard measures. In an exhaustive study, the OECD (2011) documented how rising dispersion of wages has been the central force among developed countries. In work for *TASC*, Palma (2018) documents how market inequality has been on the rise throughout Europe and has translated into higher inequality in disposable income terms too. Blanchet el al. (2019) argue that Europe is considerably more unequal than most studies suggest and that, in general, rising inequality did not taper off in the 2000s. Eurofound's (2017) comprehensive analysis of inequality before and after the crisis finds that for most EU countries inequality fell somewhat in the 2000s but increased during the great recession.

The wealth of available evidence points to a trend of rising inequality in most countries. Ireland's non-conformism can be explained, in part, by its unique development trajectory. Plagued by high unemployment for most of the latter 20th century, the emergence of the Celtic Tiger expanded access to the labour market, with many well-paying jobs. While inequality was still on the rise elsewhere, it was falling here.

Another explanation for Ireland's stability is that it is only apparent, and that inequality has actually been increasing. The data presented so far have ultimately been drawn from surveys, which have well-known limitations when it comes to the measure of income, and hence inequality. Being voluntary, nonresponse is a problem among the rich in particular, and high incomes tend to be underreported when they do respond. Official statistics, which also rely on surveys, therefore tend to understate inequality. If incomes at the top are becoming more concentrated, the problem may get worse as there is a greater incentive to hide and underreport. There is evidence that the discrepancy between income reported on surveys and the higher incomes reported to tax authorities is growing (Jenkins, 2016). That would suggest that the underestimation of inequality is becoming more pronounced.

Over the past number of years substantial effort has been expended to overcome the limitations of survey data. Led by the prominent French economist, Thomas Piketty, the World Inequality Database brings together work by researchers on inequality across the world. The data focus on top incomes and so does not include measures that cover the entire population, such as the Gini coefficient. It is largely based on tax records whereby national experts mine the recent and historical record to uncover trends in income concentration. As such, it is considered to give a more realistic picture of what happens at the top of the distribution.

Figure 4 below shows the share of income going to the top 1%[3] in Ireland. The unit of analysis is the so-called 'tax unit' and the measure of income is so-called fiscal income. Tax units refer to taxpayers but are called units as they include not only individuals but also married couples who pay tax jointly. The top one percent here does not necessarily refer to 1% of the relevant population.[4] Fiscal income is defined to be the sum of all income items filed on tax returns. It includes capital income, labour income, and 'mixed income', which is profits from owning a non-corporate business. It may also include some social welfare payments insofar as they are subject to taxation, an admittedly small component of the income of the top 1%. As such, it is similar to the concept of market income, but not identical (see Nolan, 2006; 2012; 2018).

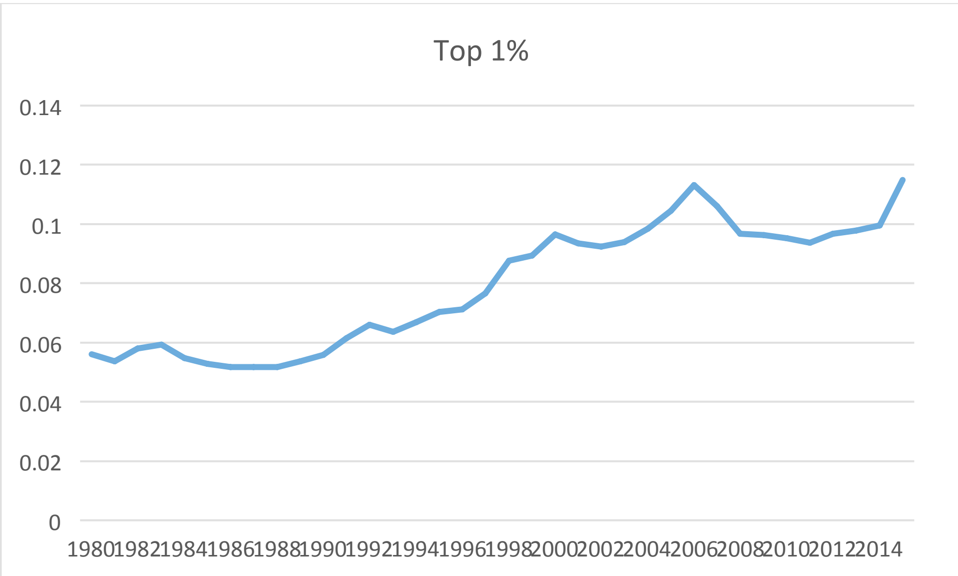

Figure 4: Top incomes in Ireland.

Source: World Inequality Database.

3 The database also contains series on the top 10% which combines tax records with national accounts data. As this technique allocates all income that is earned in an economy and not necessarily income that individuals or households receive, such as retained earnings of corporations, it is makes little sense to include it in the analysis in this report.

4 If everyone were married it would. However, if those on higher incomes are more likely to be married and be taxed jointly rather than separately, then the top 1% of taxpayers contains more than 1% of the population.

The data show that the share of income going to the top one percent of taxpayers has doubled since the 1980s. The steady ascent began in 1990, which was temporarily arrested in the early years of the millennium, after which a more volatile but still upward trend is observable. The lowest point was 1987 where the one percent claimed 5.2% of national income and latest figures indicate their share is now close to 12%.

It is important to state that the trend of greater concentration of income using tax authority-based data in Figure 4 versus stability in the previous figures may not be only or primarily due to underestimation of top incomes in surveys. The use of pre-tax income as defined by the tax authorities can create changes in measured inequality over time that might merely be definitional. As the scope of what constitutes taxable income changes so does the definition of pre-tax income. An apparent rise or fall in inequality might just be a reclassification of income (Galbraith, 2018). Moreover, Figure 4 refers to pre-tax incomes, whereas the previous figures mostly related to disposable income. In Figures 1-3, incomes were 'equivalised' where household income per person was measured. In Figure 4 they are not.

That said, it should also be noted that over the period in question the number of tax bands has steadily fallen. Up to the mid-1980s Ireland had fives bands, with the top bracket taxing income at a marginal rate of 65% (see TASC, 2014). The two bands that persisted until the crisis have now effectively turned into seven through the introduction of the universal social charge, but which only range from 0.5 to 11%. Given the likely fall in the progressivity of the Irish tax system since the 1980s, and the apparent increasing concentration of pre-tax income, it would be surprising if the top one percent's share of final or disposable income has remained stable. In that sense, Ireland may not have bucked the trend.

To summarise, the survey data puts Ireland toward the middle among EU countries in the distribution of income, and finds inequality to have been stable over an extended period. While there is little reason to doubt the first finding, the latter point is suspect when tax data is brought into the picture. More work is needed to harmonise the two data sets so as to make them more comparable. Ireland has a redistributive welfare state through progressive taxation and transfers. This serves to mitigate Ireland's unusually skewed distribution of market income, a topic we turn to in the next two sections.

3. Understanding market inequality in Ireland: individual earnings

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This section examines the distribution of individual incomes before taxes and transfers, namely market inequality. It also examines some of the causes of low pay in Ireland. Understanding individual earnings inequality and low pay are important in their own right and also provide a framework for understanding the distribution of income after sharing between household members takes place, which we consider later. We find the distribution of labour income to be the driving factor in Ireland's skewed distribution of individuals incomes. This, more than being structurally unbalanced, also explains why Ireland has many workers who are low paid.

3.1 The distribution of income

There are several candidate explanations for Ireland's high level of market income inequality. One possibility is the unequal distribution of wages. After all most income that is earned is income from employment. Alternatively, it could be the case that it is the comparative lack of engagement with the labour market here that elevates Ireland's market inequality over its peer group. Despite significant drops in unemployment in recent years, Ireland continues to have a lower employment rate compared to many high-income countries and many individuals living in low work intensity households (see O'Rorke, 2016). Finally, it well known that capital income tends to be concentrated at the top so that the fortunes of the rich are much more tied up with increases or decreases in the returns to holding assets.

Disentangling the different contributory factors that make up market inequality requires care. To calculate inequality, the principal source that researchers use, and which we also rely on throughout this report, is EU-SILC, an EU-wide survey carried out by each member state. This report uses EU-SILC 2017, meaning the survey was conducted in that year but the data relate to 2016. In Ireland, the CSO survey is simply called SILC, the Survey on Income and Living Conditions. As discussed before, the most comprehensive measure of inequality allows for sharing of resources between household members, as captured by the Gini coefficient of equivalised household income per person, for instance. However, if we want to compare the distribution of, say, wages between two countries, it only makes sense to include those in employment, which are individuals.

With that in mind, we briefly consider the first candidate for Ireland's high market inequality, capital income. Underreporting is especially a problem when measuring capital income in surveys. Nevertheless, we define capital income to be the sum of rental income, income from interest, dividends and financial assets, income from private pensions and, following Alvaredo et al. (2017), 30 percent of self-employment income. While most studies do not include self-employment income in capital income, including it here provides an upper bound for estimating capital income's contribution to market inequality. On that basis capital income is only 8% of total personal market income for the year 2016, where the remaining component of market income, labour income, is income from employment plus 70% of self-employment income. Similarly, using the decomposition approach of Lerman and Yitzhaki (1985), we find capital to be responsible for 8% of total market income inequality as measured by the

Gini coefficient of personal market income[5]. Cross-country analyses that use EU-SILC and survey data similarly find capital income to be a relatively small component of inequality, and that it is less important in the UK and Ireland than in other EU countries (Raitano, 2016; Rani and Furrer, 2016; Sweeney, 2018a). We therefore must look elsewhere to solve Ireland's market inequality puzzle.

We next turn to the other two candidates: access to and participation in the labour market, and labour income or earnings. Access to and participation in the labour market boils down to the share of the workforce that is employed, and the extent to which those with jobs work part-time or few hours. A relatively low share of the adult population in employment, and a high share of workers working few hours, especially low paid workers, will increase inequality. It would be instructive, then, to compare inequality among the total population, to inequality among workers, to inequality among full-time workers. Little differences in inequality between the groups would indicate that employment and working time are unimportant to inequality, while large differences indicate the opposite.

Figure 5 attempts to do just that. The figure shows labour income, or the sum of employee and self-employment income and also non-cash, in-kind benefits, which are small. To make the countries as comparable as possible, the entire adult population is included except those in education and the retired. This removes the potential distorting effects that different demographic profiles and education policies can have on inequality. The unemployed and those who have left the labour market for a variety of reasons are thus included. The next metric is labour income among workers (henceforth unadjusted earnings). This is the same measure as before except that only those in full-time or part-time employment or self-employment are considered. It measures the dispersion of earnings without adjustment for that fact some people work more hours than others. The final measure is monthly full-time equivalent labour income (adjusted earnings) (see Brandolini et al., 2010; Eurofound, 2015, 2017). While not identical to hourly income, it is very similar. It is monthly income adjusted for working time, so for part-time workers it is what would be earned in full-time work.[6] As before, we use the Gini coefficient to measure inequality.[7]

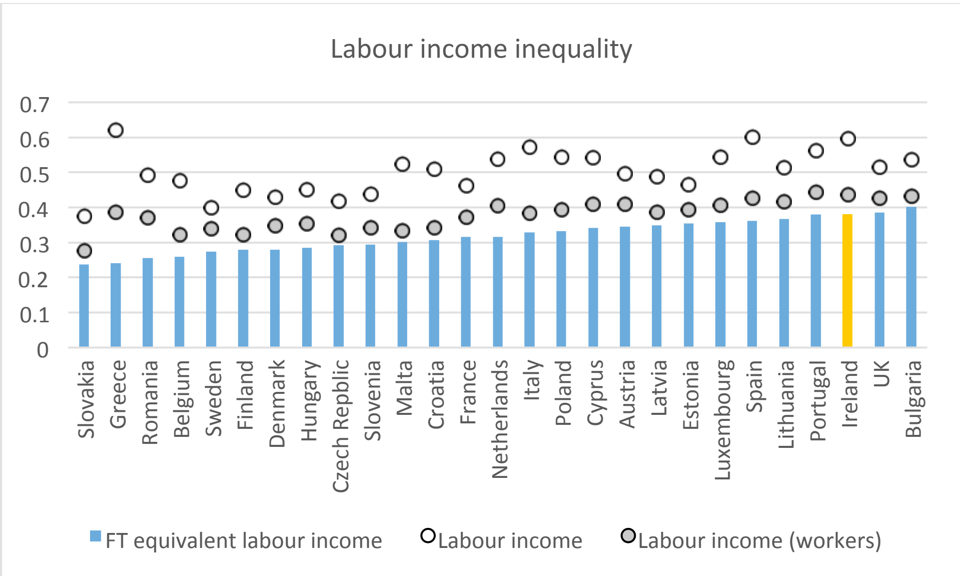

Figure 5: Labour income inequality in the EU.

Source: EU-SILC. Note: Data for Germany were not available.

5 It is not necessarily the case that because capital income is 8% of total market income, it accounts for 8% of the Gini coefficient of market income inequality. For instance, if capital income was more concentrated at the top than it currently is, then its share of the Gini coefficient would be higher.

6 Unlike wages which is typically measured as hourly income in a current job, income here is measured over the course of a year and allows for that fact many people hold more than one job over that period.

7 The data is weighted according to the probability of response to adjust for sampling errors.

Countries are aligned according to increasing inequality of adjusted earnings. Slovakia has the lowest inequality and Bulgaria has the highest. The Gini coefficient for adjusted earnings or full-time equivalent workers in Ireland is 0.38. This is the third highest in the EU. Looking at the gap between the bar and the grey point, inequality increases somewhat in Ireland as we move from full-time workers to all workers. With a Gini coefficient of 0.437, Ireland is now the second most unequal in the EU, and Portugal the most unequal. Finally, when the whole population is included the increase in inequality is more marked for all countries. With a Gini coefficient of 0.598, Ireland is again the third most unequal, with high unemployment Spain and Greece being the most unequal.

The fact that Ireland is the third most unequal country when both workers are considered and earnings are adjusted for working time (i.e. FT equivalent labour income or adjusted earnings), and continues to be the third most unequal when non-workers are included and working time is not controlled for (labour income) is revealing. It suggests that few hours or low employment are not the main factors behind individual earnings inequality as Ireland's position in the inequality rankings does not change when they are excluded. This is not to say they are unimportant. The UK is more unequal than Ireland when adjusted earnings are considered, but becomes considerably less unequal when non-workers are included as it has a higher employment rate. It is possible, then, for a country to have an unequal distribution of earnings but not be so unequal overall if enough people are at work to compensate. The preponderance of inequality in Ireland, the UK, and elsewhere is still, however, accounted for by what happens in the labour market.

In other words, the distribution of earnings, and hence individual market inequality in Ireland is fundamentally anchored in an inegalitarian distribution of income from work, the third most unequal in the EU. Access to and participation in the labour market serve to maintain Ireland's standing as one of the most market unequal countries in the EU.[8]

3.2 Low pay and individual earnings

To further explore why individual earnings are so skewed in Ireland, we examine the issue of low pay. While the calculation of low pay is not standardised internationally and the precise definition varies across countries (OECD, 1996), someone is on low pay if as a full-time worker, they earn less than two thirds the median gross or pre-tax hourly earnings. Given that low pay is a relative measure – measured with respect to the median – one can then expect there to be a relationship between it and wage inequality. Consequently, to better understand the distribution of low pay in a country is to better understand the distribution of wages, the most important component of market income.

Figure 6 below illustrates this relationship. The horizontal axis shows where a country ranks in terms of the incidence of low pay, from 1-25. The country where low pay is the least prevalent receives a ranking of 1, and where it is most prevalent receives a ranking of 25. Similarly, the country with the most equal distribution of full-time equivalent monthly labour income/adjusted earnings receives a ranking of 1, and the most unequal receives a ranking of 25. It is important to note that this measure of inequality includes self-employment income whereas low pay typically refers to employees only. Employee income, however, is invariably a much larger portion of total labour income than self-employment income.

8 This can also be seen by examining how large the change in inequality is using the different measures. Evidenced by the gap between the bar and the grey point, the increase in the Gini in going from full-time to part-time earnings is only the 13th largest in Ireland. The change in inequality due to employment, evidenced by the distance between the grey and white points, is the sixth highest. The change due to the combined effects of working time and employment, evidenced by the distance between the bar and the white point, is the seventh largest.

As can be seen, the relationship is clearly positive. The countries that rank the most unequal when it comes to adjusted earnings tend to be the countries with the highest prevalence of low pay. With 23% of its workers on low pay, Ireland has the third highest rate in the EU and, as before, the third highest rate of adjusted earnings inequality. This affirms the connection, especially in an Irish context, between the distributions of wages and hence market inequality on the one hand, and low pay on the other.

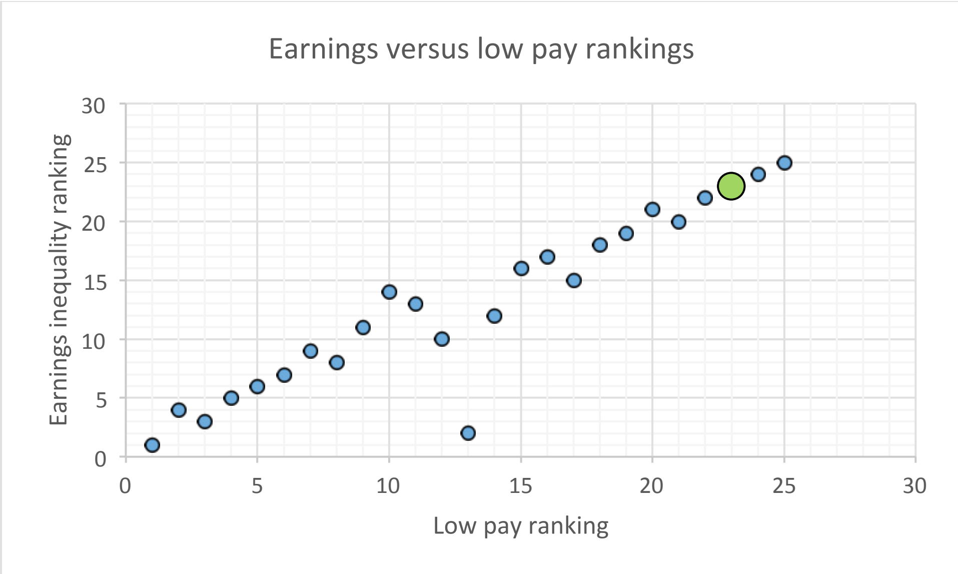

Figure 6: Low pay and inequality.

Sources: Low pay data taken from OECD and inequality data based on EU-SILC per Figure 5.

Notes: Low pay data are based on 2016 or nearest year for which data were available. No low pay data were available for Sweden and Croatia. German was excluded as it was missing from our EU-SILC dataset.

To understand the dynamics of low pay in Ireland more deeply, it is worth considering how some low pay workers are concentrated in certain sectors of the economy. The extent of low pay is driven by a variety of factors, not least the economy-wide balance of power between labour and capital. Differences in pay between sectors, however, are partly driven by the different ability of certain industries to pay more. For instance, manufacturing and industries which utilise technology more have greater scope for improvements in productivity, allowing them to pay higher wages without pushing up prices. Aside from productivity, industries which rely on low-skilled labour tend to pay less. Low-skilled workers are more easily replaced than high-skilled workers and so find it difficult to command higher wages in the job market.

If Ireland has an unusually large hospitality sector, a low-skill and low-technology industry, or a large retail sector, which is somewhat more technologically sophisticated but still a low-skill industry, then its high rates of low pay may merely be a result of having an unbalanced economy. It might be the case that the hospitality and related sectors have a similar proportion of workers who are low paid compared to other countries, but that the Irish economy generates many low pay workers because, as before, those sectors are unusually large. If that is true, addressing low pay is potentially a more challenging undertaking given it would involve rebalancing the economy, a process that happens only slowly. If, on the other hand, it is not the size of low pay sectors that generates Ireland's low pay economy but rather that those industries use low pay work more intensely, then that implies a different set of policies to address low pay. It implies those workers need to be paid more.

Figure 7 below shows the distribution of low pay in different sectors of the Irish economy using EU-SILC microdata. For this analysis it would be preferable to use a larger survey such as the Structure of Earnings Survey, but that is only carried out every four years. We define someone to be low paid if, as an employee, full-time monthly equivalent earnings are less than two thirds the national median. Note that we are referring now to employees only. This definition was used to calculate the proportion of low pay employees in each sector. This was then used to in conjunction with Eurostat data to infer the proportion of the workforce who are low paid in a given sector of the economy.[9]

As expected, most low pay workers are accounted for in the wholesale and retail sector and the hospitality sector. 3.2% of all employees are low paid workers in wholesale and retail, and 2.8% of all employees are low paid workers in hospitality. Despite the fact that the hospitality sector is significantly smaller than the wholesale and retail sector, it contains a similar number of low paid employees. This indicates that hospitality uses low paid employees more intensively – a greater proportion of workers there are low paid. Though not shown to avoid clutter, 23% of wholesale and retail workers are low paid, while the figure for hospitality is 39%. The public sector, because of its size, is also an important employer of the low paid. The remaining low pay employees are scattered quite evenly across the remaining sectors. Summing across the entire economy, 15% of Irish employees are low paid according to our definition, which is significantly less than the official OECD figure of 23%.[10]

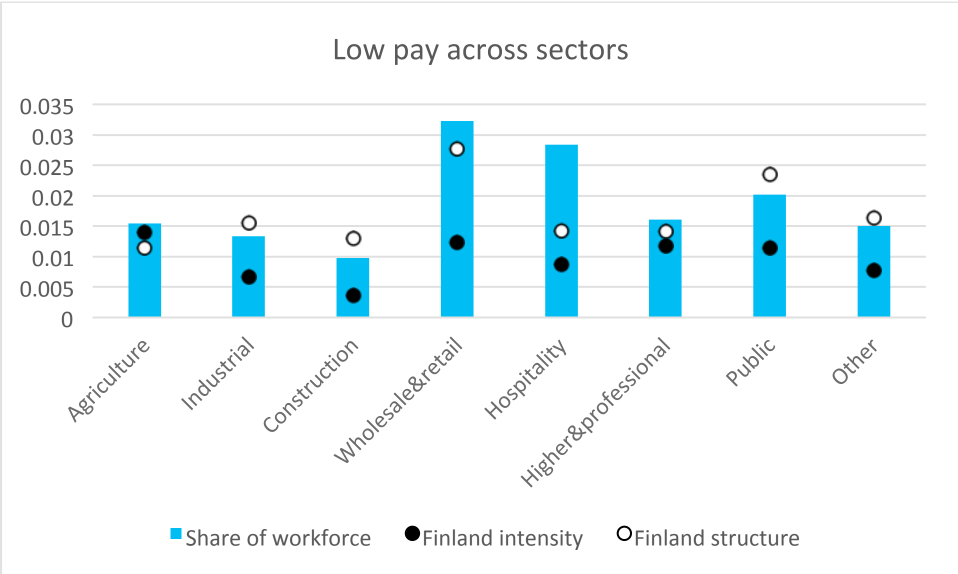

Figure 7: Low pay across sectors in Ireland and Finland.

Sources: EU-SILC and Eurostat.

Notes: Sectors are defined according to the following NACE classifications at the 1-digit level: a agriculture, b-e&h industry, f construction, g wholesale&retail, I hospitality, j-n higher&professional, o-q public, r-u other.

To examine the extent to which Ireland's high levels of low pay are driven by being sectorally unbalanced versus those sectors merely using low pay intensively, we compare Ireland to Finland. Finland is chosen

9 This could have been calculated using only EU-SILC. However, there were many employees for whom no industry of work was identified in EU-SILC. The reduction in sample size produced inaccurate and unrealistic estimates for the distribution of workers across sectors. We therefore multiplied the proportion of low pay workers in a given sector by the share of workforce in that sector using data based on Eurostat's LFS, the main survey for compiling labour force statistics.

10 Equivalent full-time monthly income is a different income concept than the one used to define low pay. Moreover, we also deleted from the sample any salaries which were less than half of the minimum wage.

as it is a social democratic welfare state with the lowest rates of low pay among EU Nordic countries. At 7% according to OECD figures for 2016, and 6% according to our own calculations, it has the second lowest rate of low pay in the EU.

To make the comparison, we performed two counterfactuals. The first asks how many low pay workers would Ireland have given its current economic structure, but if Ireland's industries instead used low pay workers only as intensively as Finland's do. We see how many low pay employees Ireland has if the same proportion of the workforce works in hospitality, for instance, but now if instead of 38% of those workers being low paid, only 12% are, as is the case of the Finnish hospitality sector. This is given by the black points. The second counterfactual asks how many low paid workers Ireland would have if it retained the intensity with which it currently uses low pay workers, but if the composition of the workforce was the same as Finland's. That is, how many low paid workers would there be in the public sector if the share of low pay employment there continued to be 2%, but if Ireland's public sector is now the size of Finland's. This is given the white points.

What we see is that in all sectors but agriculture, the black points lie below the white points. This indicates that it is the intensity of low paid work, not an unbalanced economy which makes Ireland have much higher rates of low pay. If Ireland were structurally the same as Finland, low pay would be around 14% of the workforce instead of 15%. The hospitality sector would be small like it is in Finland, and the share of the workforce who are low paid hospitality workers would halve. However, this would be offset by generating more low pay elsewhere, mostly notably through larger industrial, public, and construction sectors. Rather than copying Finland's structure, if Ireland's industries were less intensive in their use of low pay, and instead paid their workers similar to what they do in Finland, low pay employment would be cut in half. It would fall to 8% after rounding upwards.

In other words, it is insufficient earnings not an unbalanced economy which drives Ireland's higher rates of low pay.

These findings are consistent with last year's edition of *The State we are in*. (Sweeney, 2018b), which compared Ireland to other small open economies, including Finland. There it was found that the distribution of income was more unequally distributed in every sector of the Irish economy than the comparator average. The only exception was arts and entertainment, a small sector subsumed under 'other' here.

This section found that Ireland is one of the most market unequal countries in the EU when it comes to the distribution of individual income. This is driven by an inegalitarian distribution of earnings, where low attachment to the labour market is best thought of as reinforcing rather than driving inequality. The distribution of earnings and low pay are related, especially in Ireland. Ireland's comparatively high rate of low pay is driven by the intensity with which low pay employment is utilised, not an unbalanced economy.

4. Understanding market inequality in Ireland: household earnings

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This section looks at inequality in the distribution of market income after sharing between household members is accounted for. It examines whether the previous finding on the centrality of earnings continues to hold. We find that both the distribution of earnings and joblessness are important now. Expanding employment would result in a reduction in inequality, pushing Ireland nearer the middle in the inequality rankings. The effect of employment on inequality becomes larger as wages and earnings among the low-skilled workers increase.

4.1 Inequality and zero income households

The findings of the previous section point to the distribution of earnings, which is mostly wages, as the key component of Ireland's skewed distribution of personal market income. It does not automatically follow, however, that this is what sets Ireland apart when seeking to understand why final market income is more unequally allocated. This is because a person at the bottom of the individual earnings distribution may not ultimately be income poor as they reside in a household with one or more earners in the upper part of the distribution (see Collins, 2015). The classic example is a student working part-time but from a middle class family. It is instructive, then, to explore whether and how our findings should be modified as we examine inequality of equivalised household income per person, henceforth household income.

Roantree (2020) does just this in a recent work on market inequality in Ireland. He examines how inequality changes when all individuals are taken into account versus considering only those who receive market income. As we are no longer dealing with personal income, people in receipt of market income include those in paid employment/self-employment, those who have capital income, but now also people who merely reside in a household where labour or capital income is earned. A large difference between the two measures – a large fall in market inequality when those without any market income are excluded – would suggest that employment/participation in the labour market in particular is an important determinant of market inequality. This is indeed what Roantree finds as Ireland goes from being the most market unequal country in the EU when all individuals are concerned to being around or somewhat above the middle when only those who receive market income are considered.

Figure 8 below repeats that exercise. The blue bars show the Gini coefficient of household income among those in receipt of market income, and the grey dots show the whole population. Countries are aligned from left to right according to increasing inequality among recipients of market income. Looking at the whole population, Ireland is essentially tied second with Bulgaria as the most market unequal country in the EU, with Greece being the most market unequal. Looking only at those who receive market income, Ireland moves toward the middle and is the 11th most unequal out of the 27 countries. In other words, Ireland's ranking is around or somewhat above the middle in market inequality among recipients, suggesting it is a lack of participation in the market for certain households that pushes it to the top. These results are consistent with Roantree's (ibid.), though for him Ireland's market inequality in the restricted sample is more firmly in the middle.[11]

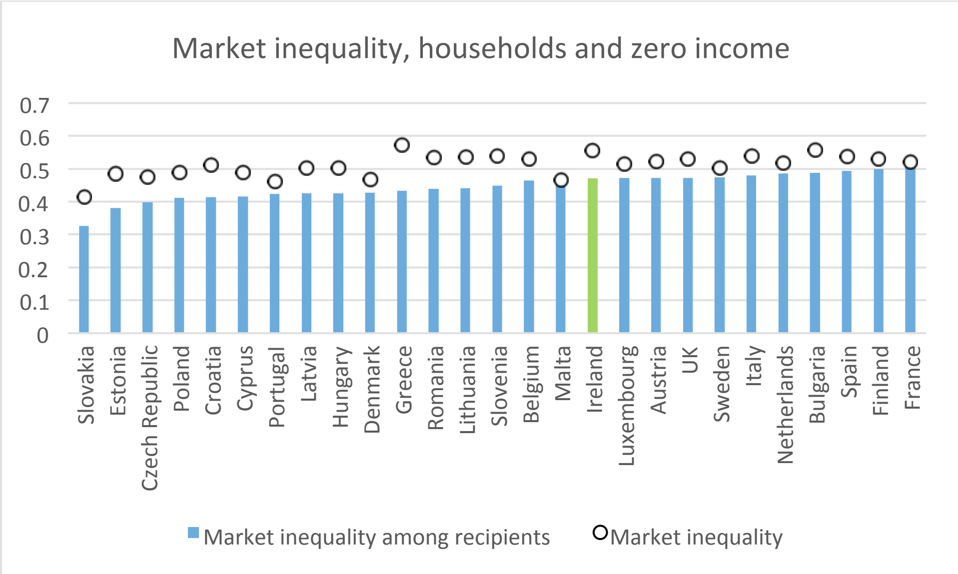

Figure 8: Market inequality, households and zero income.

Sources: EU-SILC and Eurostat.

Interestingly, several countries experience larger increases in inequality due to zero market income households. The gap between the bars and the points is larger in seven other countries. The reason why Ireland goes from around the top to the middle in rankings is not merely because the increase in inequality is especially large, though it is large, but also because in those countries where the effect of excluding zero income households is larger, such as Estonia and Croatia, started with lower market inequality.

In essence, the reasons for why non-participation in the market has a large effect on inequality at the household level are twofold. First and foremost, Ireland has many households with no market income. Secondly, countries which also experienced large increases in inequality had more even distributions of market income to begin with.

There are multiple reasons why Ireland has so many households with no market income. Roantree highlights Ireland's high number of jobless households, meaning households in which no working-age adult is in paid employment. This is almost but not quite the same as a household with no market income as, though unusual, it is possible for a household to be jobless but still receive capital income. The level of joblessness is also different to the employment rate, which is not particularly low in Ireland and which refers to the share of the population in work. Ireland can have high levels of joblessness and medium levels of employment because those people not in paid employment may be living alone or living with someone who is also not employed. Among the reasons for Ireland's high levels of jobless households are many lone parent households, a low employment rate among lone-parents, and many adults living alone who report being disabled or unfit to work (ibid.).

11 We exclude household transfers in measuring market inequality whereas Roantree includes it as market income. Both of these measures of market income are somewhat different to the OECD definition as per Figure 2, which includes both household transfers and employer's social insurance contributions. Roantree also uses 2017 data where we use 2016, which probably explains why Greece is the most unequal in our figure. Moreover, we focus on the Gini coefficient, the most common metric of inequality in policymaking circles. Roantree includes some alternative indices, which indicate Ireland's market inequality is more firmly in the middle.

There could, however, be a further explanation for why Ireland has many households without market income. Rather than just being a result of younger-headed households, as suggested by highlighting lone parent and jobless households, it could also be a result of many older households having no market income. Ireland has a less developed system of occupational and private pensions which would leave many older households without income. Figure 9 below repeats the previous figure but excludes retired individuals. As can be seen, Ireland's position changes little when people in households without any market income are excluded. Ireland is the second most unequal among the total population (excluding the retired), and remains the second most unequal when only individuals with positive income (or in households with positive income) are included. This is not to say that expanding employment among jobless households would not reduce inequality, but rather that there may be several different avenues to lowering it, and that the problem is multifaceted.

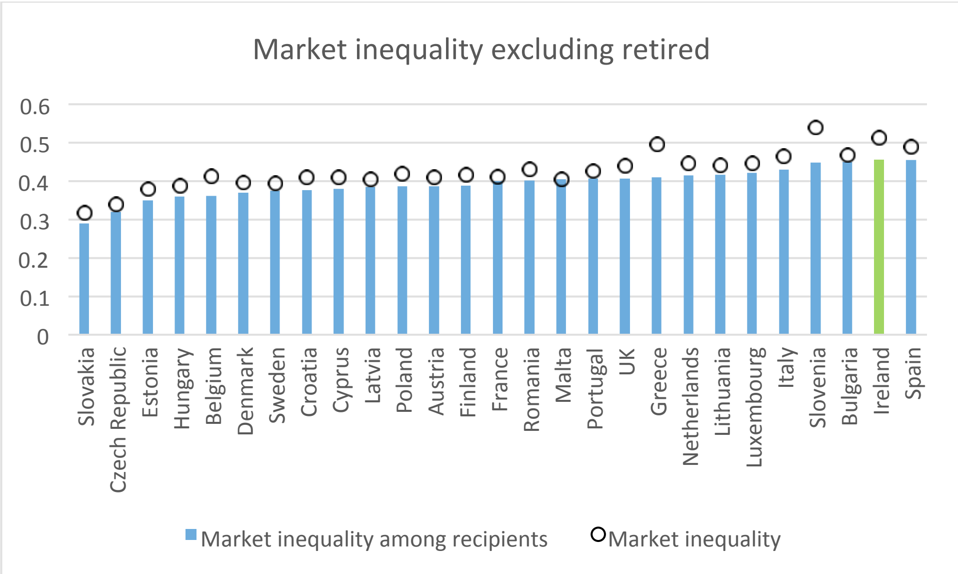

Figure 9: Market inequality among the retired.

Source: EU-SILC.

Table 1 looks at the profile of individuals in households with zero market income. As before, they are individualswho receive no market income not only because they are not in employment or self-employment or in receipt of capital income, but are located in households where no labour or capital income is earned. They are broken down by education and gender. The lowest educational group comprises individuals with lower secondary education or less, while the highest comprises third-level educated.

	Male	Female
Low education	27.4	32.6
Medium education	8.2	14.6
High education	7.9	9.3

Table 1: Profile of individuals with zero market income in percentage terms.

Source: EU-SILC.

There are somewhat more women than men, though the difference is not large. Most of the individuals have low levels of education with only around 17% with a tertiary education. This underscores the well-established fact that individuals who are excluded from the labour market typically are less skilled. The low-skilled make-up of these individuals limits their career prospects in the event they do take up employment.

4.2 The impact of employment expansion

The extent to which employment expansion among individuals in households with no market income would reduce inequality is not obvious. As discussed, Ireland has among the largest low pay economies in the OECD. Given that many people in jobless households have low skills and low education, the jobs they would find would reflect that. That is, the expansion of low pay employment may moderate any reduction in inequality, which needs to be considered.

The effects of employment expansion on inequality can be analysed in distinct ways. Our focus is on the high number of individuals living in households with no market income in Ireland and what would happen if Ireland instead had EU average numbers. According to EU-SILC microdata, this constitutes 21% of Irish working age adults compared to the EU average of approximately 12%. To examine how employment would affect inequality, we could explore the distributional impact of having only 12% instead of 21% of individuals with no market income (after income sharing among household members). That is, we give a little over one half of the population without market income, market income.

One question that arises is how much income to give the 'new entrants' into the market. A natural possibility is to give them the average income of their corresponding or 'incumbent' group who currently have positive market income. So as 8% of the population with no income is medium-educated males, we could give 8% of the new entrants the average market income of incumbent medium-educated males.

This is the approach we favour but with some modifications. Instead of focusing on market income, which includes capital income, the analysis first uses labour income. Recall this is the sum of employment income, self-employment income, and non-cash benefits. This makes sense as the idea is to model the effects of employment. A second modification is that we distinguish individuals not only by education and gender, but also by three age groups, 16-32, 33-46, and 50+.The idea is that the older one is, the more experience one has. Finally, we make an adjustment for the fact that many people currently outside of the labour have likely been out for some time. They are therefore unlikely to earn the full salary of their respective age group when they take up employment. In addition to considering the full salaries, we also adjust earnings such that the oldest cohort gets 80%, the middle cohort gets 90%, with no adjustment made to the earnings of the youngest group. A 45 year-old woman with a leaving cert but no degree therefore receives 90% of the average individual labour income of that group. We then divide this number by the average household size of her demographic to get household income per person.[12]

12 We use average equivalised household size, where it is the average size among the zero income/jobless sample. By using the average equivalised size of each cohort, it implicitly assumes that the new entrants are from distinct households. Using a single, average household size for all the jobless did not alter the results substantively.

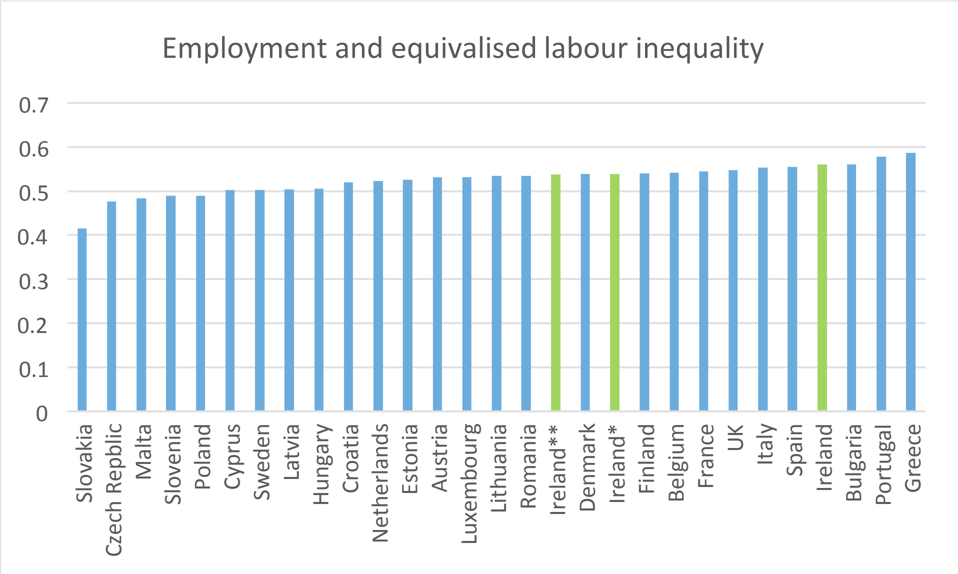

Figure 10: Distributional impact of employment expansion on equivalised labour inequality.

Source: EU-SILC.

Figure 10 displays the results measuring inequality as before with the Gini coefficient of equivalised labour income. This is inequality among the population when the total labour income of each household is shared equally among the household members. Ireland* represents the level of inequality Ireland would have if it had EU levels of joblessness, and if new entrants into the labour market earned the average income of their respective groups with a penalty for lost experience. Ireland** represents the level of inequality Ireland would have if it had EU levels of joblessness, and if new entrants into the labour market were not penalised for lost experience. It is not intended to be a realistic assumption but serves to illustrate how the distributional effect of employment increases as the wages of the low-paid increases.

Under the Ireland* scenario, Ireland goes from being the fourth most unequal country to being the 11th most unequal out of 27 countries. The results are very similar to Figure 8 which also suggested that employment expansion would result in Ireland having levels of market inequality around or slightly above the EU median.[13] Under the Ireland** scenario, where new entrants into the labour market have higher salaries than in Ireland*, Ireland is exactly in the middle – the 13th most unequal out of 27 countries. These findings indicate that joblessness plays a more important role when inequality of household income is considered compared to individual inequality.

To say joblessness is **the** cause of Ireland's comparatively high levels of inequality would be misleading and hasty. EU-levels of joblessness would result in Ireland having inequality levels around the middle. An interesting, but less straightforward undertaking, would be to examine how inequality changes if instead we choose Ireland to have EU norms of wage inequality, the most important component of market income - there are many paths to achieving greater equality.

A further caveat is necessary before definitive conclusions can be drawn. These results should be

13 Arguably, these simulations are optimistic. A large increase in the supply of low-skilled workers is likely to push down the wages of all workers at the bottom of the earnings distribution, exacerbating inequality. Moreover, characteristics other than education, age, and gender were not controlled, such as the likelihood that individuals in jobless households have poorer physical and mental health.

interpreted as results based on EU-SILC. EU-SILC is known to overestimate the level of joblessness in Ireland, so the distributional impact of employment expansion may be exaggerated (CSO, 2017; Lafferty and McCormack, 2015). A better source for joblessness is the Labour Force Survey (LFS), but which does not contain information on incomes. The above simulation, then, may overestimate the distributional impact of employment on inequality.

The effect of employment expansion on the distribution of market income would be somewhat less compared to its effect on the distribution of labour income, which we considered above. Market income also comprises capital income in addition to labour income. Given that low-skilled workers are unlikely to become landlords or acquire financial assets as they take up employment, there will be less of an impact on market inequality. Figure 10 repeats Figure 9 but instead allocates to new entrants on the basis of market income instead of labour income. For instance, if 8% of individuals without market income (or in households without market income) were low educated males in their fifties, 8% of the new entrants were given the 80% of the average personal market income of that demographic. We then divide this number by the average equivalised household size of her demographic to get household income per person.

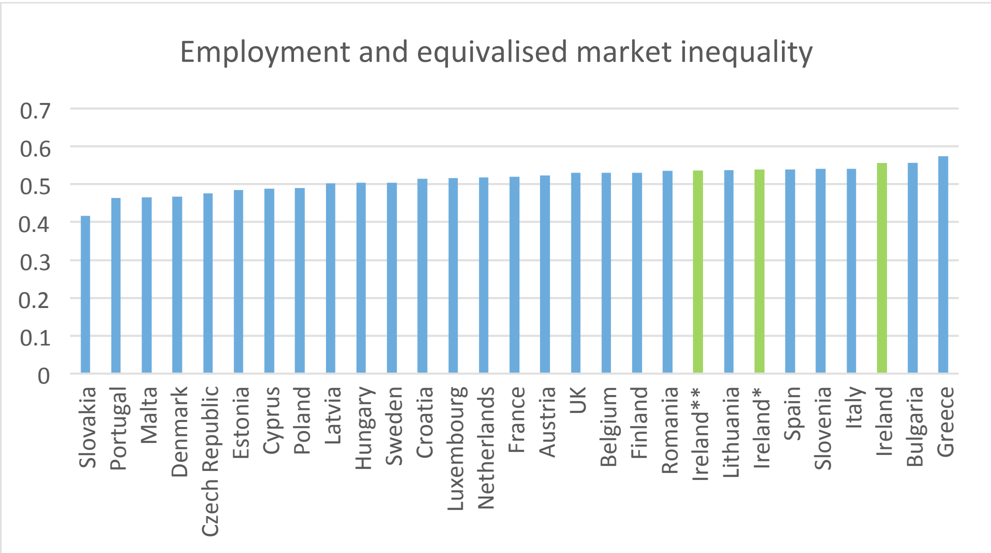

Figure 11: Distributional impact of employment on equivalised market inequality.

Source: EU-SILC.

As can be seen, equivalised market inequality decreases but Ireland remains a comparatively high inequality country – Ireland goes from being the third most unequal to being the sixth most unequal country in the EU. This indicates that were Ireland to have the EU-average level of individuals with market income, and were the new earners to earn what their corresponding positive-income cohorts currently receive, though with a penalty for lost experience, Ireland would still have comparatively high levels of market inequality. Under the more optimistic scenario with Ireland**, Ireland is the ninth most unequal in the EU – nearer the middle. These findings are consistent with the idea that market inequality is multifaceted and not simply an issue of joblessness. Moreover, it is also consistent with the idea that the reduction in inequality from employment expansion is moderated by the fact that, in Ireland, jobs at the lower end of the payscale are more poorly paid than elsewhere.

In sum, analysis based on EU-SILC data indicate that joblessness is a more important component of market inequality when sharing of incomes between household members is concerned. Expanding employment pushes Ireland toward the middle in the inequality rankings with higher wages among the low-skilled placing Ireland closer to the middle. These results suggest a combination of employment and wage supports are necessary to reduce Ireland's market inequality.

5. Discussion

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The findings point to a range of policy interventions to address income inequality in general and market inequality in particular. If we acknowledge that Ireland already has a redistributive welfare state in monetary terms, which is uncontroversial, and that inequality or at least concentration of income at the top has increased, which appears likely, it follows that any attempt to reduce inequality should emphasise evening out the distribution of market income, as opposed to redistribution through taxes and transfers.

Whatever the true number of people living in jobless households is, it is clearly undesirable for this to increase further. The Irish welfare state is designed to distribute the highest welfare payments to those on the lowest income (O'Rorke, 2016). This makes it very effective at reducing income poverty but, in conjunction with insufficient pay, can create conditions where it is not economical to take up employment, even when there is a desire to do so. It is not that transfers should not increase going forward, such as by indexation of payments to wage increases (SJI, 2019), but policy changes on this front should give due deference to the fact that anomalies in the system exist and these should not be aggravated (see also Haugh et al., 2016).

Reducing the level of payments is not desirable as it is likely to increase the rate and risk of poverty given the targeted nature of Irish benefits. Tapering of payments upon transition into work is appropriate and greater efforts do so have been undertaken in recent years. Ireland's social welfare system is different to the more social democratic model in that it relies more on targeted transfers and less on the provision of universal services.

A recent review by the National Economic and Social Council profiled low work intensity households and the issues they face (NESC, 2018). One was the fear that medical cards would be lost if employment was taken up, another was the high cost of public transport in attending work and training. The biggest single barrier, though, appears to be the high cost of childcare. Others include poor English skills, low literacy, and discrimination against those of African and Traveller backgrounds. NESC outlined a number of interventions that could be made, including more resources devoted to addressing the needs of the jobless. A longer term strategy would include more universal provision of public services, including care, health, and transport, in line with Northern European norms.

All of this assumes that employment expansion among jobless households is likely, in and of itself, to have a large impact on inequality. The analysis produced here argues that wage increases for low pay workers is essential to reducing individual market inequality. Though many low pay workers reside in better-off households, it is important to note that many are there out of necessity rather than choice. For instance, there has been a large increase in the share of younger people living at home as housing has become unaffordable. Moreover, as well as being an indicator of fairness, individual inequality is important as households are unlikely to be share equally. A more egalitarian wage structure would help younger cohorts as well as people from poorer backgrounds increase their economic autonomy.

For households, because many low pay workers are not necessarily income poor, and because people without jobs often cluster together or live alone, employment expansion would have a larger effect on inequality after sharing of resources between household members is taken into account. According to our findings based on EU-SILC, greater employment and wages for the low-skilled are needed to bring Ireland to 2016 EU-level norms of market inequality. A question which we do not explore and which merits further research is the effect of pension coverage on Ireland's market inequality.

This brings us to what the appropriate measures are to reduce earnings inequality. Any strategy has to address low pay. While Ireland has high rates of low pay, profit margins or labour's share of value added is not unusually high in the traditional low pay sectors. The retail sector has scope for more gains going to labour, however the hospitality sector is much more squeezed (Sweeney, 2018b). Moreover, the OECD study on inequality pointed out that the presence of trade unions tended to reduce inequality by raising the pay at the bottom, rather than compressing earnings at the top (OECD, 2011). Sector-by-sector collective bargaining is one means through which bottom incomes can be raised while giving due consideration to the specific circumstances that pertain in different sectors of the economy.

The fact that Ireland has high rates of low pay while at the same time some low pay sectors may find it difficult to absorb wage increases suggests certain sectors are able to extract monopolistic or above-market rate revenues from others. Last year's report found that income differences between low and high income sectors were larger in Ireland than in comparator countries. The share of inequality in Ireland due to large differences in income, between rather than within sectors, is higher here than in most EU countries (Eurofound, 2015: 53). This suggests some scope for redistribution between factions of capital to provide breathing room to lower wage industries to raise pay as their costs fall.

It is well-known that the cost of living is high in Ireland. While some of this is due to Ireland's status as an island economy on the periphery of Europe, much of it is not. The housing crisis, the main driver of the cost of living in recent years, has little to do with the cost of imports. The cost of professional services is also acknowledged to be high in Ireland. This includes things such as legal costs, as pointed out by the OECD (2018). While a full analysis of living and professional costs is beyond the scope of this report, there appears to be scope for cost reductions through public investment or more competition in protected sectors.

The report has also found that pre-tax incomes are becoming more concentrated. Higher taxation on top incomes is the most obvious solution. High marginal rates, however, tend to increase incentives for avoidance, especially among the rich who have most to gain. A better solution would entail reforms that tackle excessive compensation at source. While CEOs comprise only a small section of the population, companies invariably wish to maintain a strict earnings hierarchy. Lower executive compensation would lead to lower pay for the CFO, senior management, and so on. It would also remove the need to match high private sector salaries in the public and third sectors. Baker et al. (2019) show that in the US the explosion of executive compensation has coincided with lower returns for shareholders. This is contra the justification for high CEO pay, which is supposed to help company owners. Among the reforms considered are changes to corporate governance structures, which make it more difficult for CEOs to nominate compliant board members that set executive pay. ICTU has documented high executive compensation in the Irish corporate sector in recent years (ICTU, 2017), and so it would be useful to see if this can be justified in terms of shareholder returns.

A range of tools are at the disposal of policymakers to temper inequalities in the distribution of market income. Some of these are conventional such as a more prominent role for trade unions in setting pay, or reducing joblessness through tapering payments and expanding public services. Others are less conventional, but should nevertheless be considered.

6. Conclusion

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This report has examined inequality in Ireland emphasising the causes and consequences of its high market inequality. Ireland now ranks in the middle in the distribution of disposable income, but is among the most if not the most unequal country in the EU when it comes to market income. The survey-based evidence indicates that inequality has remained stable over an extended period of time, though tax-based evidence casts doubt on this. Large disparities in market income are prevented from translating into large differences in disposable through progressive taxation and extensive transfers.

At the individual level, it is the distribution of earnings which is the driving force – Ireland is the third most unequal when it comes to equivalent full-time labour income. Working time and low labour force participation in particular serve to maintain Ireland's ranking as among the most market unequal countries in the EU. Low pay, a key component of earnings inequality, is high not because Ireland is structurally unbalanced but because Ireland's low pay sectors pay more poorly.

Individual inequality does not necessarily translate into disparities in final income due to sharing of resources between household members. There is evidence that joblessness has a large effect on market inequality in Ireland. Were Ireland to have EU-average levels of jobless households, inequality would be closer to the middle. The effect of distributional effect of employment expansion increases with better wages for the low-skilled

If reducing inequality in Ireland is considered to be a goal, it makes sense to focus on market income given the welfare state already does much heavy lifting. There are a range of conventional and unconventional policies that could be pursued to structure markets for more equal ends.

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Ireland has undergone rapid transformation in recent years. Economically laggard and culturally conservative, it had long been known for its contrast, rather than similarity with its neighbours. The Ireland today, however, is indistinguishable to what it was only thirty years ago.

One area where Ireland has changed little in the distribution of economic resources. Its historically high levels of income inequality are now the norm across the continent of Europe. This report investigates why, and what might be done to address it. With an apparent appetite for change, Ireland has choices to make.

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