Low Income in Ireland: A Profile and the Case for a Basic Income

ICTU May Day Festival 2012
Congress House, Dublin

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2. Low Income (and high income)
3. Minimum Incomes
4. A Basic Income
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   - The Existing Infrastructure
   - How Much?
   - Cost & Funding
5. Flagging future work
1. Income in Ireland: A Profile

- Disposable Income by decile
  - Latest data from 2010*
  - Survey of Income and Living Conditions (SILC) – CSO
  - Income in household's pockets
    - After taxes and social transfers
  - First in percentage terms
  - Then in nominal terms

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Ireland's Household Income Distribution by Decile, 2010
### Table 1: Nominal Household Income, by decile in 2010

<table>
<thead>
<tr>
<th>Decile</th>
<th>Weekly disposable income</th>
<th>Annual disposable income</th>
<th>Annual gross income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bottom</strong>*</td>
<td>171.24 *</td>
<td>8,928 *</td>
<td>9,094 *</td>
</tr>
<tr>
<td>2nd *</td>
<td>283.39 *</td>
<td>14,776 *</td>
<td>14,967 *</td>
</tr>
<tr>
<td>3rd</td>
<td>398.63</td>
<td>20,785</td>
<td>21,310</td>
</tr>
<tr>
<td>4th</td>
<td>502.65</td>
<td>26,208</td>
<td>27,165</td>
</tr>
<tr>
<td>5th</td>
<td>607.02</td>
<td>31,650</td>
<td>33,790</td>
</tr>
<tr>
<td>6th</td>
<td>719.56</td>
<td>37,518</td>
<td>41,848</td>
</tr>
<tr>
<td>7th</td>
<td>872.53</td>
<td>45,494</td>
<td>53,183</td>
</tr>
<tr>
<td>8th</td>
<td>1,058.10</td>
<td>55,169</td>
<td>67,101</td>
</tr>
<tr>
<td>9th</td>
<td>1,329.25</td>
<td>69,307</td>
<td>90,185</td>
</tr>
<tr>
<td><strong>Top</strong></td>
<td>2,369.53</td>
<td>123,547</td>
<td>171,609</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>830.46</strong></td>
<td><strong>43,300</strong></td>
<td><strong>52,970</strong></td>
</tr>
</tbody>
</table>

Source: Calculated from CSO SILC 2010 (2011: 14-15)

### Changes to Ireland’s Household Income Distribution 2009-10

![Changes to Ireland’s Household Income Distribution 2009-10](image)
Changes to Ireland’s Household Income Distribution 2007-10

2. Low Income (and high income)

• Definitions?
  o None, but some observations…
  o **Gross Individual Income**
    • Average earnings: €689.54 / €35,953
    • **High income**:
      o certainly twice this (€72k)...maybe 1.5 times (€54k)
      o Alone: twice = top 30% income distribution
      o Alone: 1.5 times = top 40% income distribution
    • **Low income**:
      o 66% of average (€24k) and below
      o Alone: bottom 30-35% of income distribution
o For Households
  • Depends on composition…
  • High income:
    o Certainly: gross income of €90k (top 20%)
    o Probably lower…(€80k)
  • Low income:
    o Below €30k (bottom 40%)
  • Middle income:
    o Around: €35k-75k

3. Minimum Incomes
• Different perspective
• Budget standards literature
• How much is needed for a basic standard of living?
  o the minimum expenditure an individual or household needs
  o how much income is required to experience this
  o research by Collins et al (Feb 2012) on this
  o document available at www.tcd.ie/policy-institute
  o NERI Seminar on May 23rd @ 4pm
- A brief summary of minimum expenditure levels

Table 2: Minimum Essential Standard of Living for a 2 adult and 2 child urban household (€ per week)

<table>
<thead>
<tr>
<th>Ages of Children</th>
<th>9 Months &amp; Pre-School</th>
<th>Both Primary School</th>
</tr>
</thead>
<tbody>
<tr>
<td>All household</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excluding Housing, Childcare &amp; Secondary Benefits</td>
<td>470.54</td>
<td>488.44</td>
</tr>
<tr>
<td>Certain household types (all costs including housing, childcare and the impact of secondary welfare benefits)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployed, dependent on JTB</td>
<td>464.03</td>
<td>481.87</td>
</tr>
<tr>
<td>1 Adult Employed Full-Time (Earning NMW)</td>
<td>484.44</td>
<td>502.28</td>
</tr>
<tr>
<td>Both Adults Employed, 1 full-time &amp; 1 part-time (Earning NMW)</td>
<td>696.05</td>
<td>539.41</td>
</tr>
</tbody>
</table>

- Ongoing research

  o a lot of households below the minimum
  
  o insights into:
    • the cost of children (forthcoming VPSJ report)
    • the cost of work (NERI Seminar)
    • the challenges faced by low income families
    • the impact of policy changes on low income families

  o Not just about those on low income…applicable to all households
    • the minimum is the minimum
    • Used research to produce a minimum income calculator online
      www.MISc.ie
4. A Basic Income

- Sustained low income and high income inequality
  - Likely some $\downarrow$ due to recession, but small and short-term
  - Room for a new redistributive approach
  - Basic income is one such path

- An unconditional cash transfer from the exchequer to all citizens on an individual basis
  - Every citizen irrespective of income,…
  - Possible to introduce some conditions to reduce costs or minimise negative externalities
    - ‘being usefully engaged’ (Ward, 2006)

- A Basic Income replaces
  - Tax credits and tax allowances for those in employment
  - State welfare supports for those not in employment

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Key Questions & Challenges

- How much should a basic income be?
- Should there be some conditions and if so what are they?
- How to pay for such a system?

- Working towards an NERI working paper on this and presentation to BIEN conference September 2012

General view:

- If you were starting with a blank sheet – go the BI route
- But, we are starting from here and the pathway is more complex
The Existing Infrastructure

- A large proportion of the population already receives some form of a transfer/credit from the government:

<table>
<thead>
<tr>
<th>Category</th>
<th>Payment</th>
<th>€ per week</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children</td>
<td>Child Benefit (CB)</td>
<td>€32.22</td>
<td>1,129,032</td>
</tr>
<tr>
<td>Pensioners</td>
<td>OAP</td>
<td>€230.30</td>
<td>393,825</td>
</tr>
<tr>
<td>Unemployed</td>
<td>UB / UA</td>
<td>€188.00</td>
<td>385,307</td>
</tr>
<tr>
<td>Disabled/Ill</td>
<td>Pension (various)</td>
<td>€193.50</td>
<td>250,178</td>
</tr>
<tr>
<td>Widows</td>
<td>Widows pension</td>
<td>€193.50</td>
<td>125,415</td>
</tr>
<tr>
<td>Carers</td>
<td>Carers allowance/benefit</td>
<td>€205.00</td>
<td>52,219</td>
</tr>
<tr>
<td>Single Parents</td>
<td>One parent payment</td>
<td>€217.80</td>
<td>92,326</td>
</tr>
<tr>
<td>Workers</td>
<td>Tax credits* / allowances</td>
<td>€63.50</td>
<td>1,821,300</td>
</tr>
</tbody>
</table>

Notes: Table and its contents have been generalised to facilitate presentation.

* not all earners will have income high enough to experience the value of these tax credits.

How much?

- A key decision, a range from:

<table>
<thead>
<tr>
<th>Category</th>
<th>Official Welfare Rate</th>
<th>Official Poverty Line 2009</th>
<th>Budget Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single adult (urban)</td>
<td>€188.00</td>
<td>€222.18</td>
<td>€351.76</td>
</tr>
<tr>
<td>Single adult (rural)</td>
<td>€188.00</td>
<td>€222.18</td>
<td>€396.29</td>
</tr>
</tbody>
</table>

- Cost of this:
  - Assuming CB stays as it is and we pay a BI to the remainder of the adult population
  - Looking at urban rates only
Costs & Funding

<table>
<thead>
<tr>
<th></th>
<th>Official Welfare Rate</th>
<th>Official Poverty Line</th>
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<tbody>
<tr>
<td>Single adult (urban)</td>
<td>€188.00</td>
<td>€222.18</td>
<td>€351.76</td>
</tr>
<tr>
<td>BI + current CB</td>
<td>€36.49 billion</td>
<td>€42.65 billion</td>
<td>€65.97 billion</td>
</tr>
<tr>
<td>Admin savings etc.</td>
<td>-€0.5 billion</td>
<td>-€0.5 billion</td>
<td>-€0.5 billion</td>
</tr>
<tr>
<td>Net Cost</td>
<td>€35.99 billion</td>
<td>€42.15 billion</td>
<td>€65.47 billion</td>
</tr>
</tbody>
</table>

Current cost of:
- Social welfare payments + tax credits + tax allowances + tax breaks for pensions = €32.12 billion
- Without pensions tax breaks = €29.45 billion

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5. Flagging future work

- NERI Seminar, May 23rd 2012 @ 4pm
  - The Cost of Work: Insights from Minimum Income Standards Research for Ireland

- NERI Report on Income in Ireland

- BIEN 2012 - September 2012
  - Estimating the Costs of Basic Income for Ireland