

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

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*Research for new economic policies*

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- 1. Income in Ireland: A Profile**
- 2. Low Income (and high income)**
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  - **Key Questions & Challenges**
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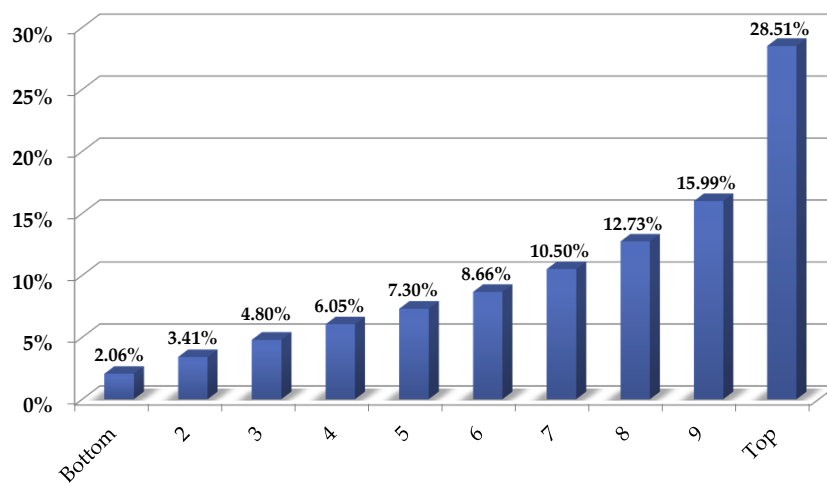
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# 1. Income in Ireland: A Profile

- 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

Ireland's Household Income Distribution  
by Decile, 2010

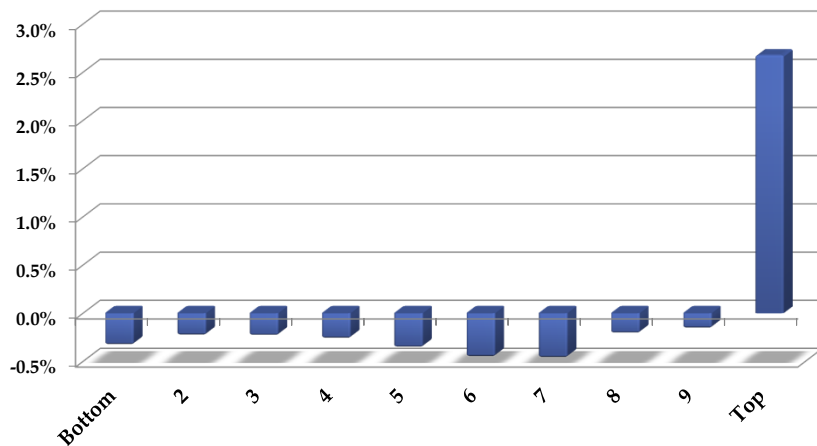


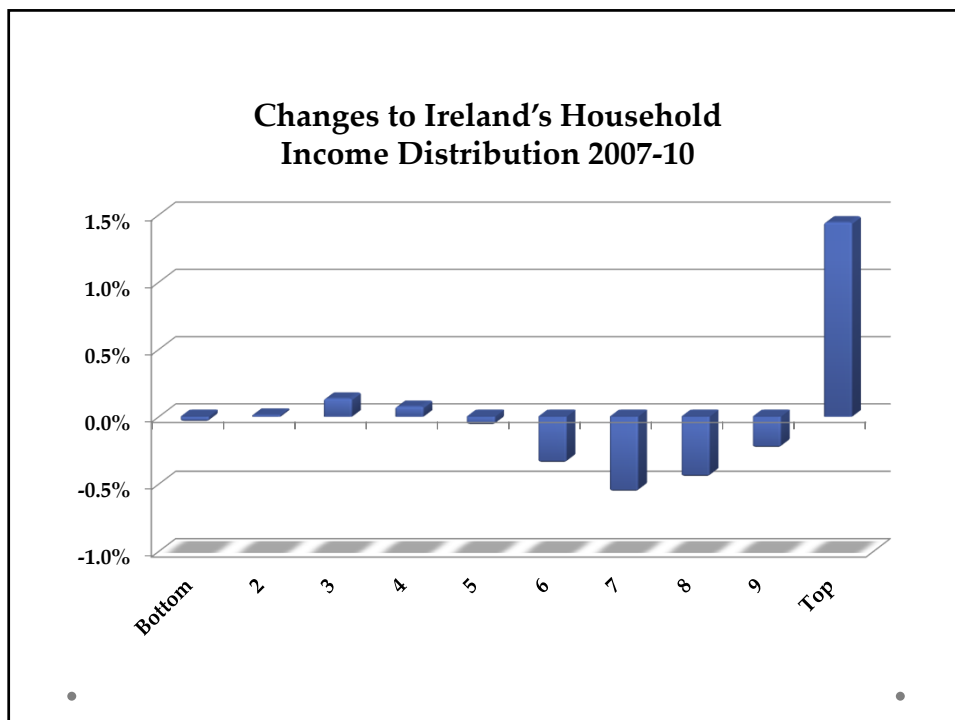
**Table 1: Nominal Household Income, by decile in 2010**

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

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

**Changes to Ireland's Household Income Distribution 2009-10**





## 2. Low Income (and high income)

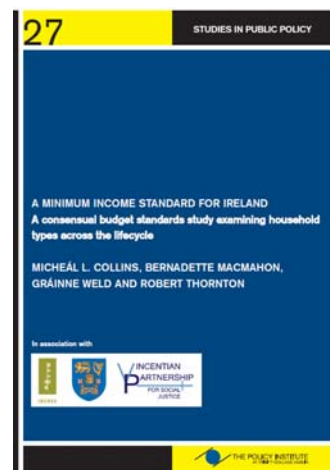
### • Definitions?

- None, but some observations...
- **Gross Individual Income**
  - Average earnings: €689.54 / €5,953
  - **High income:**
    - certainly twice this (€72k)...maybe 1.5 times (€4k)
    - Alone: twice = top 30% income distribution
    - Alone: 1.5 times = top 40% income distribution
  - **Low income:**
    - 66% of average (€4k) and below
    - Alone: bottom 30-35% of income distribution

- **For Households**
  - **Depends on composition...**
  - **High income:**
    - Certainly: gross income of €90k (top 20%)
    - Probably lower...(€80k)
  - **Low income:**
    - Below €30k (bottom 40%)
  - **Middle income:**
    - Around: €35k-75k

### 3. Minimum Incomes

- Different perspective
- Budget standards literature
- How much is needed for a basic standard of living?
  - the minimum expenditure an individual or household needs
  - how much income is required to experience this
  - research by Collins et al (Feb 2012) on this
  - document available at [www.tcd.ie/policy-institute](http://www.tcd.ie/policy-institute)
  - NERI Seminar on May 23<sup>rd</sup> @ 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)

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

- **Ongoing research**

- a lot of households below the minimum
- 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
- 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](http://www.MISc.ie)

## 4. A Basic Income

- Sustained low income and high income inequality
  - Likely some ↓ 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

## 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:

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

- 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:

|                      | Official Welfare Rate | Official Poverty Line 2009 | Budget Standard |
|----------------------|-----------------------|----------------------------|-----------------|
| Single adult (urban) | €188.00               | €222.18                    | €351.76         |
| Single adult (rural) | €188.00               | €222.18                    | €396.29         |

- Cost of this:
  - Assuming CB stays as it is and we pay a BI to the remainder of the adult population
  - Looking a urban rates only
  - Rough calculations using 2009 Revenue Statistical Report (2008 data); 2010 Department of Social Protection Statistical Report (2010 data) and Census 2011.



## Costs & Funding

|                      | Official<br>Welfare Rate | Official<br>Poverty Line | Budget<br>Standard    |
|----------------------|--------------------------|--------------------------|-----------------------|
| Single adult (urban) | €188.00                  | €222.18                  | €351.76               |
| BI + current CB      | €36.49 billion           | €42.65 billion           | €65.97 billion        |
| Admin savings etc.   | - €0.5 billion           | - €0.5 billion           | - €0.5 billion        |
| <b>Net Cost</b>      | <b>€35.99 billion</b>    | <b>€42.15 billion</b>    | <b>€65.47 billion</b> |

### Current cost of:

- Social welfare payments + tax credits + tax allowances + tax breaks for pensions = **€32.12 billion**
- Without pensions tax breaks = **€29.45 billion**

## 5. Flagging future work



- **NERI Seminar, May 23<sup>rd</sup> 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*