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The Distribution of Market Income in the Republic of Ireland

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SUMMARY

The latest income distribution data for the Republic of Ireland comes from the 2013 CSO *Survey on Income and Living Conditions (SILC)*, released in 2015.

This *Research inBrief* uses that data to examine the underlying distribution of market income in Ireland. This is in effect the pre-distribution of income; that which arises, from earnings of all types, before the redistributive mechanisms of taxation and welfare step in.

KEY POINTS

- In 2013 the median market income was €23,701 while the mean was €32,042.
- The distribution of market income is concentrated on incomes of less than €50,000 per annum – representing 80% of all earners.
- 15% of all those with a market income, about 290,000 people, receive less than €5,000 (the average direct income for this group is €2,000 and most receive less than €1,000).
- 50% of those with a market income receive between €5,000 and €35,000.
- The top 10% of recipients have an income of more than €65,000.
- The top 5% of recipients have an income of more than €85,000; this group approximates to the top 100,000 earners in the state.

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Introduction and Context

Most assessments of the distribution of income in the Republic of Ireland focus on disposable income – the income individuals and households have to spend after direct taxes are paid and transfer payments are received. That distribution is by far the most important as it reflects the amount and distribution of resources available to people to pay for their living costs.

Judged over time the distribution of disposable income in the Republic of Ireland has been remarkably stable. For example, over the past decade, despite covering periods of economic boom and bust, the share of total disposable income received by the bottom 20% has remained at around 8%; the share of the top 10% has been between 24% and 25%; the top 20% have received 38% to 40% of the disposable income share, and the bottom half of the distribution has stood at between 28% and 30%. Of course, while these shares have been stable, the overall amount of income being distributed grew to a peak in 2008 and subsequently fell as the economic crash unfolded. Similarly the Gini coefficient, a summary measure of the level of income inequality where a higher value implies greater inequality, has remained static at a value of around 30 to 32.

However, below these stable headline figures there is much going on. The achievement of this stability comes courtesy

of large redistribution interventions via the taxation and transfer systems; most notably the latter. The substantial scale of this redistribution points towards a number of issues one of which, the shape of the underlying distribution of market income, is the focus of this paper.

Data

This Research *inBrief* summarises results from an accompanying NERI Working Paper (see reference at the end of this document). The analysis derives from an examination of the microdata from the Central Statistics Office's (CSO) Survey on Income and Living Conditions (SILC). This survey is part of an annual Europe wide household living standards survey and collects income and living standards information from a representative national sample.

The data used here is for 2013 and was released in late January 2015. It comprises responses from 12,663 individuals in 4,922 households.

Defining Market Income

Market income, or direct income, captures the income received by employees as earnings, the profits of the self-employed and other 'unearned' income including rental income, private pension income, investment income and interest income (see details in Table 1). It is in effect the pre-distribution of income; that which arises before the redistributive mechanisms of

Table 1: Composition of Market Income

Employee income
<i>Employee cash income</i>
<i>Employee non-cash income</i>
Self-employment income
Other direct income
<i>Value of goods produced for own consumption</i>
<i>Income from private pensions</i>
<i>Income from rental of property or land</i>
<i>Investment income (including interest, dividends and trusts)</i>
<i>Income received by people aged less than 17 years</i>
<i>Income from regular inter-household transfers</i>

taxation and welfare step in.

The concept of direct / market income used here differs from that reported by the CSO in their annual SILC reports. The CSO definition records employer's social insurance contributions as an element of individual's direct income; technically it is part of the employee's employment income and provides, in conjunction with the employees own social insurance contributions, various entitlements. However, as most would regard this flow of income to employees as implicit (more a cost of employment than part of remuneration), it has been excluded from the income definition examined here.

The distribution is examined for all individuals aged 17 years or more and it excludes those who record no market income.

The Distribution of Market Income

Table 2 and Chart 1 summarise the distribution of market income in 2013. The chart shows the number of individuals with different income levels, grouped in €1,000 income bands. The height of the bars represents the number of individuals in each of these groups.

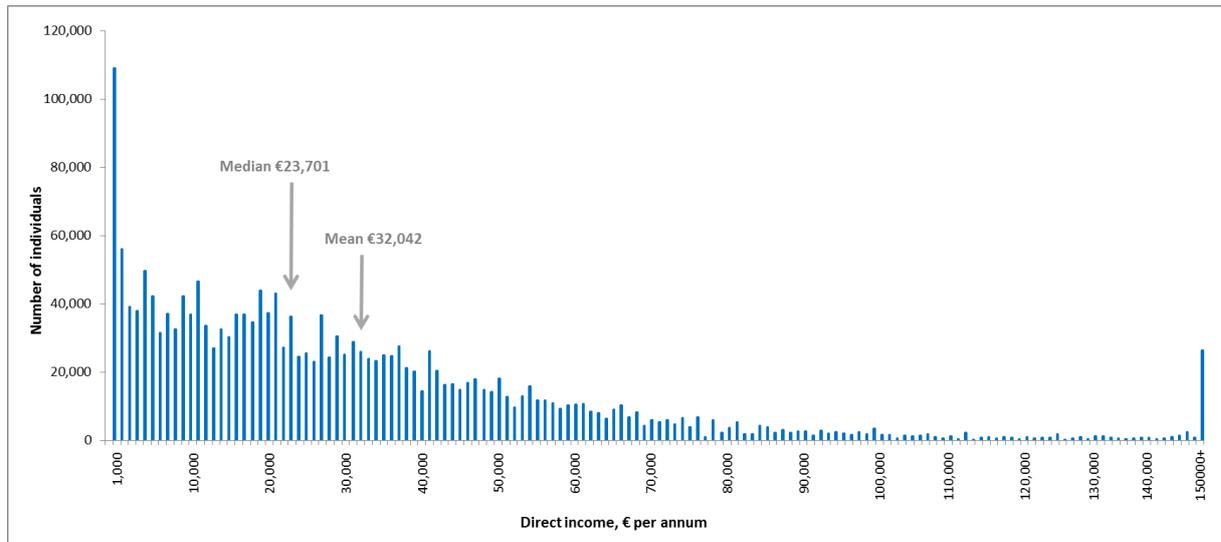
In 2013 the median market income (representing the income of the middle earner in the direct income distribution) was €23,701. In the same year the mean market income was €32,042.

As both the chart and table show, the distribution of market income is concentrated on incomes of less than €50,000 per annum – representing 80% of all earners.

Among the key points on the distribution of market income are:

Table 2: Summary of Ireland's Market Income Distribution, individuals in 2013

Direct Income Range		% of those with direct income	Cumulative % of those with direct income
From	To		
€1	€5,000	15.1%	15.1%
€5,000	€10,000	9.6%	24.7%
€10,000	€15,000	9.1%	33.8%
€15,000	€20,000	9.4%	43.3%
€20,000	€25,000	8.7%	52.0%
€25,000	€30,000	7.2%	59.2%
€30,000	€35,000	6.6%	65.8%
€35,000	€40,000	6.1%	71.9%
€40,000	€45,000	4.8%	76.7%
€45,000	€50,000	4.1%	80.8%
€50,000	€55,000	3.6%	84.4%
€55,000	€60,000	2.8%	87.1%
€60,000	€65,000	2.3%	89.4%
€65,000	€70,000	2.0%	91.4%
€70,000	€75,000	1.5%	92.9%
€75,000	€80,000	1.0%	93.9%
€80,000	€85,000	0.9%	94.8%
€85,000	€90,000	0.7%	95.5%
€90,000	€95,000	0.6%	96.1%
€95,000	€100,000	0.6%	96.6%
€100,000 +		3.4%	100.0%
		100.0%	

Chart 1: Distribution of Market Income, individuals in 2013

- 15% of all those with a market income, about 290,000 people, receive less than €5,000 (the average direct income for this group is €2,000 and most receive less than €1,000);
- 50% of those with a market income receive between €5,000 and €35,000;
- The top 10% of recipients have an income of more than €65,000;
- The top 5% of recipients have an income of more than €85,000; this group approximates to the top 100,000 earners in the state.

The Gini coefficient for this distribution is 48.99. Post-redistribution, the Gini coefficient for the whole population falls to a value of 31.3.

Conclusion

The shape of the income distribution and possible methods of altering it remains central to policy formation and analysis in Ireland. Whether it is the examination of policies to improve the equity of that distribution, or the consideration of policy choices and their impact on the structure of the income distribution.

Although policy and analysis has tended to focus on the disposable income distribution, this paper offers an insight into the starting

point for redistributive measures – the market or direct income distribution.

The shape of that distribution, and the prevalence of low income earners within it, points towards a need for greater consideration to be given to the underlying nature and distribution of market earnings. A topic which will be explored further in subsequent NERI research publications.

References

This NERI *Research inBrief* summarises some analysis within an accompanying *NERI Working Paper*. It provides further details on the data presented here and is available on the institute's website. Its reference is:

Collins, M.L. (2015), 'Earnings and Low Pay in the Republic of Ireland: A Profile and Some Policy Issues' *NERI Working Paper*, 2015/29. Dublin, NERI.

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