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Household Income Distribution in the Republic of Ireland

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SUMMARY

Understanding the nature, shape and composition of the income distribution is an important component of our understanding of society and the appropriateness of various policy options. In the context of considerations of policy changes (to taxes, welfare payments or public services) or changes to earnings levels (both high incomes and low incomes) it is useful to ground considerations in an understanding of the incomes experienced in society.

In this Research *inBrief* we examine the Republic of Ireland's household income distribution looking at both gross income and disposable income. The analysis is based on the latest data available from the CSO.

Larger versions of the income distribution charts are available on the NERI website.

KEY POINTS

On Gross Income:

- 33% of households have a gross income of less than €27,000
- 62% of households have a gross income of less than €50,000
- The top 20% of households have a gross income of more than €80,000 per annum
- 12% of household have a gross income above €100,000 per annum

On Disposable Income:

- 50% of households have a disposable income of less than €35,000 per annum
- The top 10% of households have a disposable income above €77,000 per annum
- The top 3% of households have more than €2,000 per week in disposable income (€104,000 per annum)

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Research for new economic policies

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In this *Research inBrief* edition, we examine the Republic of Ireland's household income distribution. The analysis derives from an examination of the microdata from the Central Statistics Office's (CSO) Survey on Income and Living Conditions (SILC).

Households and the Data

Households are examined as members of these units, be they working, unemployed, disabled, ill, retired or children, generally live together in a household and base their living standards on its collective income. In some cases these can be single person households and in other cases incorporate multiple individuals across the lifecycle. An understanding of household income is important as policy is often considered and critiqued on the basis of its impact on household or family income.

Like all survey data sources, the SILC dataset, and consequently any analysis drawn from it, is subject to some caveats. In particular, income surveys tend to experience lower response rates from high income households. Similarly, successful sampling can be challenging among low-income households and minorities while those in institutions are excluded from the sample. However, despite these drawbacks, the SILC data offers the most detailed and comprehensive insight into the patterns of income in Ireland – a feature which makes it ideal for this analysis.

This edition uses the most recently available SILC data which is for the year 2011 (released during 2013). The data captures income information for a representative sample of 11,005 individuals in 4,333 households. The data includes a probability weight variable to correct for

under-representation and non-response and these weights are used in the analysis below. The collected income data is reconciled by the CSO with tax records in an attempt to ensure its accuracy.

Income Concepts

The distribution of two income concepts are examined in the analysis. These are: **Gross Income**: comprising the flow of cash and non-cash income from employee earnings, self-employment earnings, pensions, property income, investment income and all forms of welfare entitlements (including child benefit); and **Disposable Income**: comprising Gross Income minus income taxes and levies and minus social insurance (PRSI) contributions. Both these income concepts are useful as the former captures the overall sum of income a household receives and is often used for classifying them (less than €50,000 etc). The latter, disposable income, captures the amount of post-tax and transfer income households have to live off; essentially what is in their pockets to spend.

The Gross Income Distribution

Chart 1 details the Republic of Ireland's annual gross household income distribution in 2011. The graph shows the number of households with different income levels, grouped in €1,000 income bands. The height of the bars represents the number of households in each of these groups. In 2011 the median income (representing the income of the middle household in the income distribution) was almost €38,703. In the same year the mean income was almost €53,000. As the chart shows, the income distribution is highly skewed, with more than 60% of households having an income below the (mean) average. At the right-hand side of the graph, the final bar shows that there are almost 28,000 households, approximately 2% of all households, with a gross income of more than €200,000 per annum.

At the other end of the distribution, around 250,000 households record an income of less than €15,000 per annum. In general these comprise single-person households,

Chart 1: Ireland's Gross Household Income Distribution, 2011

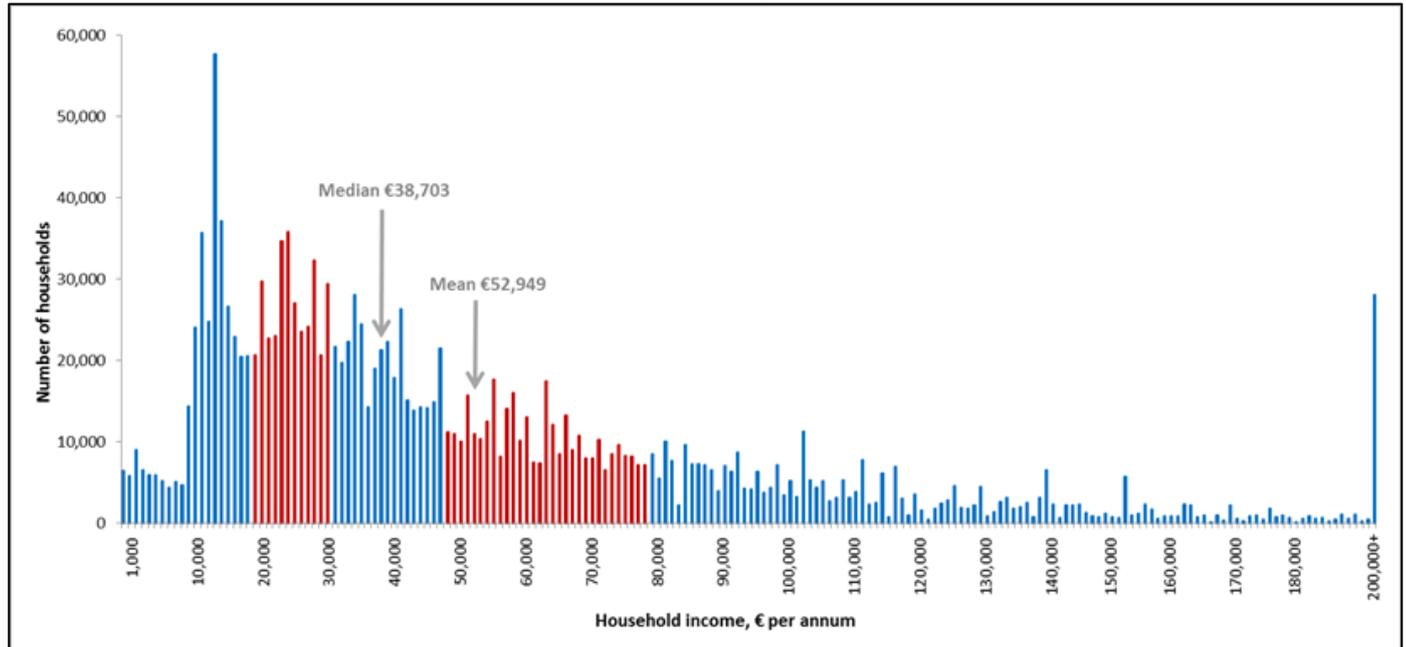
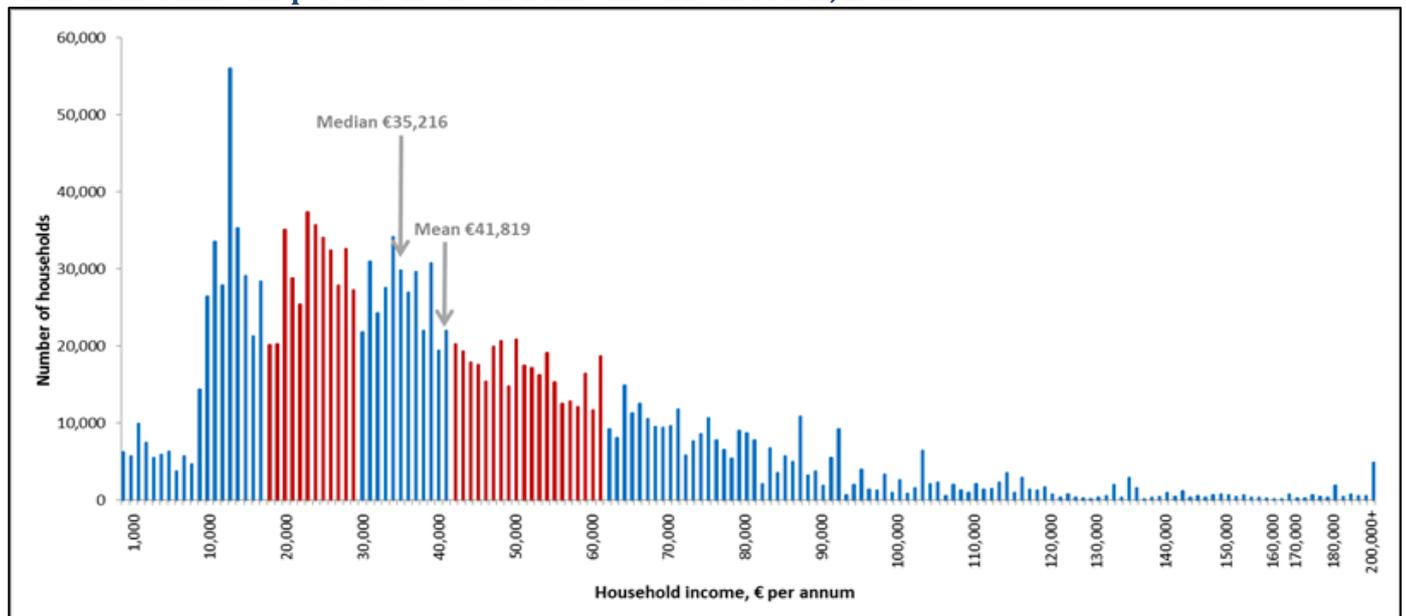


Chart 2: Ireland's Disposable Household Income Distribution, 2011



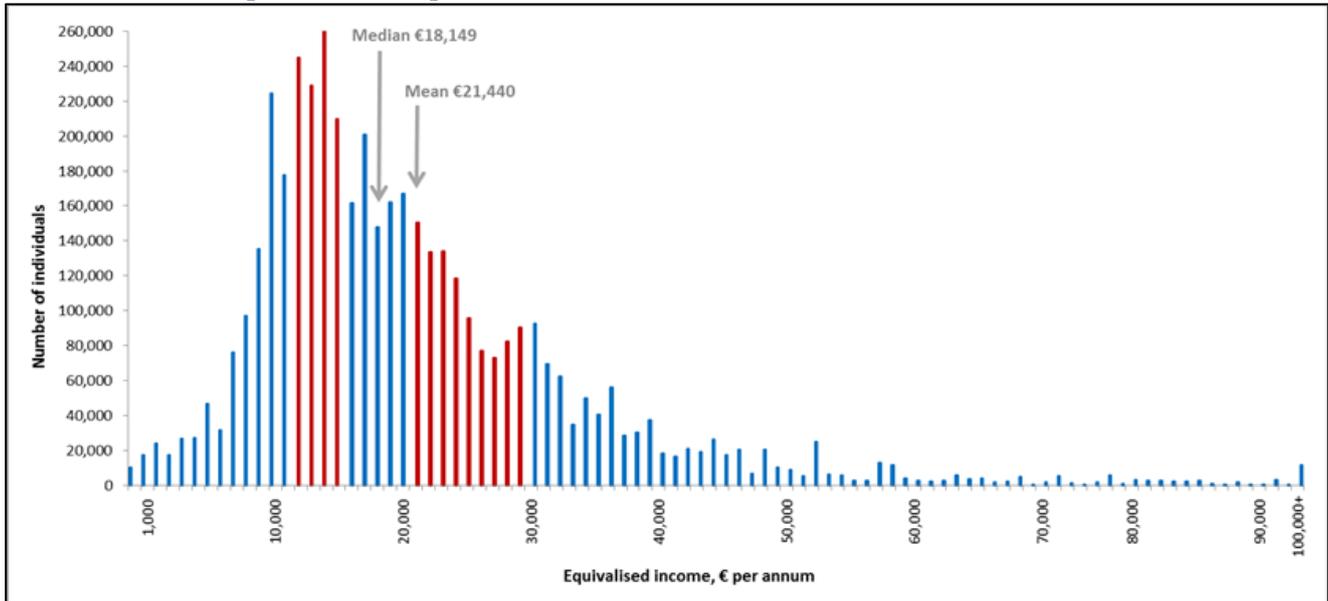
households with low self-employment income and unemployed households.

Chart 1 also divides households into five equally-sized groups, known as quintiles. The first quintile comprises the 20% of households with the lowest incomes, the second quintile comprises the next 20% of households ordered by income and so on. In the chart, the alternately-shaded sections represent these different quintiles. As can be seen, the distribution is concentrated across the first three quintiles in a range of income from €10,000 to €50,000. Among

the key points on the distribution of gross income across households are:

- 33% of households have a gross income of less than €27,000
- 62% of households have a gross income of less than €50,000
- 63.5% of households have a gross income below the average (mean) household income
- The top 30% of households have a gross income of more than €62,000 per annum
- The top 20% of households have a gross income of more than €80,000 per annum

Chart 3: Ireland's Equivalised Disposable Income Distribution, 2011



- 12% of household have a gross income above €100,000 per annum
- 2% of households have gross incomes above €200,000 per annum

The Disposable Income Distribution

The distribution of household disposable income is outlined in **Chart 2**. In 2011 the mean disposable household income was almost €42,000 per annum and the median was €35,216; equivalent to €805 per week and €675 per week respectively. Among the key points are:

- 34% of households have a disposable income of less than €500 per week (€26,000 per annum)
- 50% of households have a disposable income of less than €35,000 per annum
- The top 20% of households have a disposable income above €61,000
- The top 10% of households have a disposable income above €77,000
- The top 3% of households have more than €2,000 per week in disposable income (€104,000 per annum)
- The top 1% of households have a disposable income of more than €135,000 per annum

Adjusting for Size & Composition

As the same amount of disposable income allows households of different sizes to enjoy notably different lifestyles (a one person household with €40,000 is very different to a couple with 2 children on the same amount), the final chart, **Chart 3**, adjusts the disposable income figures and calculates a

per person household disposable income using the national equivalence scale (see CSO 2013:18). Overall, the equivalised household income distribution is spread over a narrower range (€0-€100,000) with a median income of €18,149 and a disposable income of €21,440. Most income is concentrated between €8,000-€25,000 while the top 20% of individuals had an equivalised disposable income above €30,000 in 2011.

Conclusion

Discussion on policy options, their potential and their impact, is often framed in the context of the income distribution. Yet, in many cases an understanding of the precise nature and composition of that distribution is limited. This *inBrief* is intended to highlight and make accessible information on that distribution. In doing so we hope to enhance broader understandings of incomes in Ireland so that current and future policy assessments can take a more detailed account of whom and how many are at different points of the distribution.

Reference

Central Statistics Office (2013), *Survey on Income and Living Conditions 2011*, Dublin, Stationery Office.

The views expressed in NERI *Research inBrief* documents are those of the author(s) and do not necessarily represent those of the NERI.

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