

## **Towards a Basic Income – Dr Micheál Collins ERU (Economic Research Unit)**

Over the past four decades, despite economic booms and busts, Ireland's income distribution has remained remarkably static. Engrained in this income distribution structure is a high and sustained level of income inequality relative to our fellow EU and OECD member states. In 2009, the latest year that detailed national income data is available, the top 10% of Irish households received more than 10 times the share of the bottom 10%; indeed the income share of the top 10% exceeds the combined share of the bottom 50% of households.

The sustained nature and structure of this income inequality implies a need to consider if it is appropriate to adopt alternative redistributive policies. One such path, considered in this paper, is the adoption of a basic income system. A basic income is an unconditional cash transfer from the exchequer to all citizens on an individual basis. This paper considers the key challenges associated with any moves towards such a system, the appropriate level of the payment and the possible methods by which it would be financed.

### **Dr Micheál Collins**

Dr Micheál Collins is Senior Research Officer at the ERU (Economic Research Unit) Dublin - a think-tank on the Irish Economy established in September 2011. Prior to joining the ERU he was Assistant Professor of Economics at Trinity College Dublin. A native of Ennis in Co. Clare he is a graduate of NUI Galway, UCC and the University of Dublin, Trinity College. His research interests are in the areas of income distribution, taxation, economic evaluation, public policy and development. Micheál is the vice-chairman of the Irish Social Policy Association (ISPA) and a former chairman of the Regional Studies Association (RSA) of Ireland. He was a member of the Commission on Taxation (2008-09) and served as chairman of the Commission subgroup on Tax Expenditures/Tax Breaks. In 2011 he was appointed a member of the Government Advisory Group on Tax and Social Welfare.

# Towards a Basic Income

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## Outline

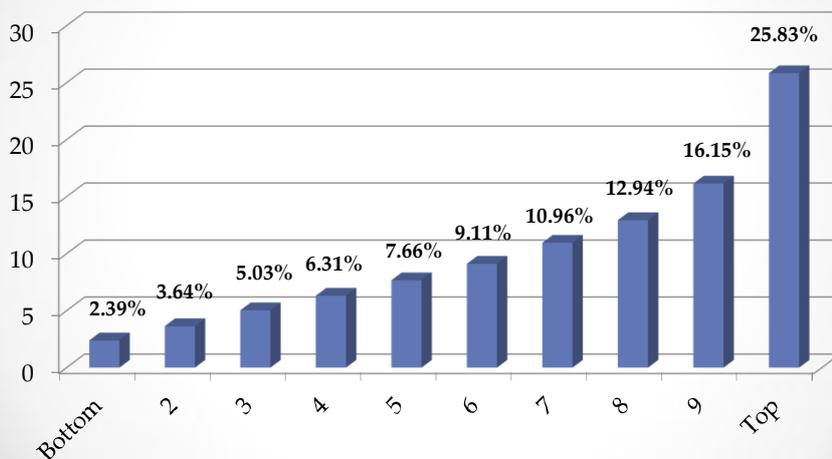
- 1. Income in Ireland: A Profile**
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# 1. Income in Ireland: A Profile

## “ Disposable Income by decile

- Latest data from 2009
- Survey of Income and Living Conditions (SILC) ó CSO
- Income in householdø pockets
  - “ After taxes and social transfers
- First in percentage terms
- Then in nominal terms

**Ireland’s Household Income Distribution  
by Decile, 2009**



**Table 1: Nominal Household Disposable Income, by decile in 2009**

	Weekly disposable income	Annual disposable income	Annual gross income
<b>Bottom</b>	€210.45	€10,973	€11,034
<b>2<sup>nd</sup></b>	€320.37	€16,705	€16,966
<b>3<sup>rd</sup></b>	€443.07	€23,103	€23,683
<b>4<sup>th</sup></b>	€555.88	€28,985	€30,375
<b>5<sup>th</sup></b>	€675.19	€35,206	€38,098
<b>6<sup>th</sup></b>	€802.53	€41,846	€47,577
<b>7<sup>th</sup></b>	€965.83	€50,361	€59,092
<b>8<sup>th</sup></b>	€1,140.49	€59,468	€73,550
<b>9<sup>th</sup></b>	€1,422.84	€74,191	€96,773
<b>Top</b>	€2,276.00	€118,677	€168,026

Source: Social Justice Ireland, *Socio-Economic Review* (2011:69) and CSO *SILC 2009* (2010:24-25)

## 2. A Basic Income?

- “ Sustained 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,<sup>i</sup>
  - Possible to introduce some conditions to reduce costs or minimise negative externalities
    - “ being usefully engaged<sup>ø</sup>(Ward, 2006)
  
- “ A Basic Income replaces
  - Tax credits and tax allowances for those in employment
  - State welfare supports for those not in employment

### 3. 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?

#### General view:

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

### 4. 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.

## 5. How much?

“ A key decision, a range from:

	Official Welfare Rate	Official Poverty Line	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 Preliminary Report.

## 6. Costs & Funding

	Official Welfare Rate	Official Poverty Line	Budget 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.	- €3 billion	- €3 billion	- €3 billion
<b>Net Cost</b>	<b>€33.49 billion</b>	<b>€39.65 billion</b>	<b>€62.97 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**

## Some References

- " Gov. of Ireland (2002) *Green Paper on Basic Income*
- " Social Justice Ireland (2011) *A New and Fairer Ireland*
- " Clark, C. (2002) *The Basic Income Guarantee*
- " Ward, S. (2006) *Basic Income: Recent Analyses for Ireland*
- " CSO (2010) *Survey on Income and Living Conditions 2009*

### Websites

[www.budgeting.ie](http://www.budgeting.ie) : VPSJ Budget Standards work

[www.socialjustice.ie](http://www.socialjustice.ie): Papers from 2008 international BI conference in Dublin

### Organisation

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