

Low Income & Low Pay in Ireland

Issues and Responses

CPSU, Carlton Hotel Galway. September 27th 2012

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1. About the NERI

- A new economic research think-tank
- Established September 2011; launched March 2012
- Funding from various trade unions
- All island remit
- ‘Research for new economic policies’
- Focus:
 - Macroeconomy, Budget, incomes, earnings, fairness...
- Recurring publications on economy
- Focused research work on certain topics
- Web: www.NERInstitute.net

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Yesterday:



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- Alternative Budgetary Policy for 2013
 - No more cuts
 - Focus on tax increases on higher incomes – top 20%
 - Small Investment Stimulus
 - Create 21,000 jobs
 - Growth
- plus a QEF document...

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2. Income & Low Income

- Disposable Income by decile
 - Latest data from 2010*
 - Survey of Income and Living Conditions (SILC) – CSO
 - Looking at households first (individuals later)...
 - Income in household's pockets
 - After taxes and social transfers
 - First in percentage terms
 - Then in cash terms

**Ireland's Household Income Distribution
by Decile, 2010**

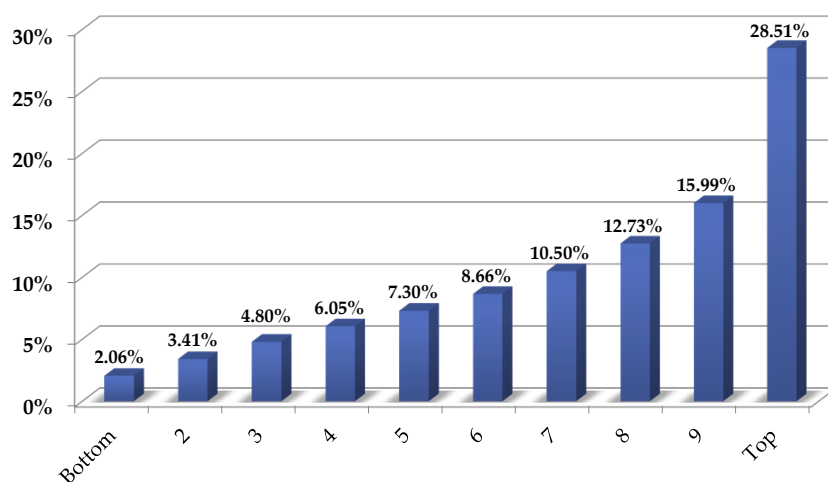
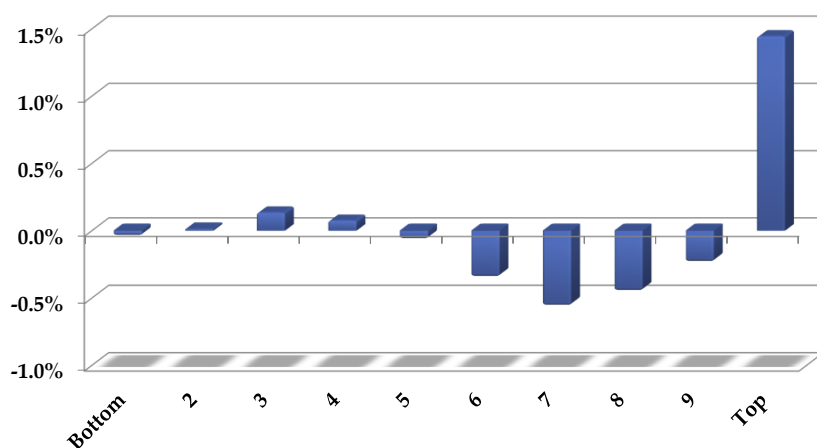


Table 1: Nominal Household Income, by decile in 2010 (€)

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

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

Changes to Ireland's Household Income Distribution 2007-10



3. Low Pay: a profile

- Moving to earnings...various sources...
- CSO give us an insight for all workers:

Earnings and Labour Costs

Q1 2012 (Final)

Q2 2012 (Preliminary Estimates)

29 August 2012



Quarter	Average Weekly Earnings
	€
Q2 2011	688.11
Q1 2012	695.75
Q2 2012*	687.84

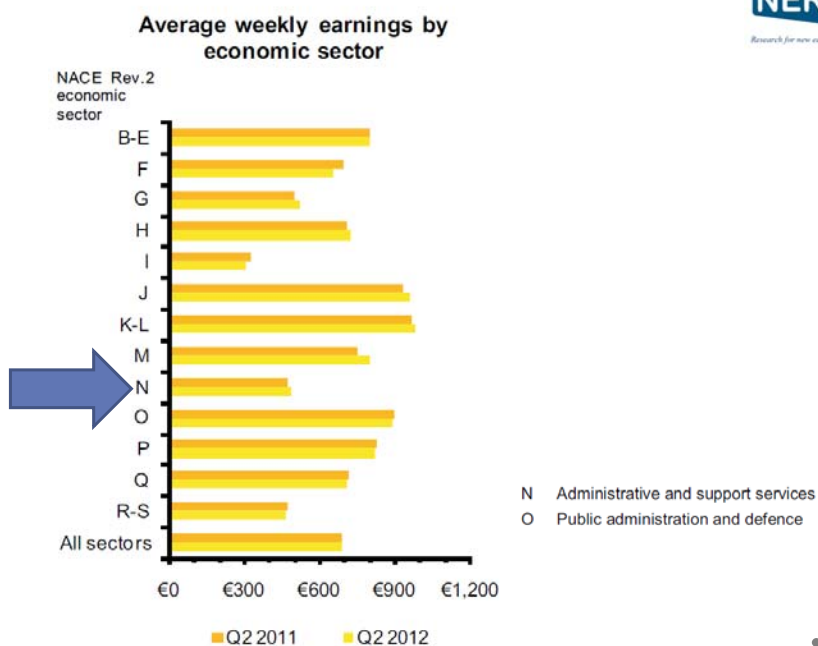
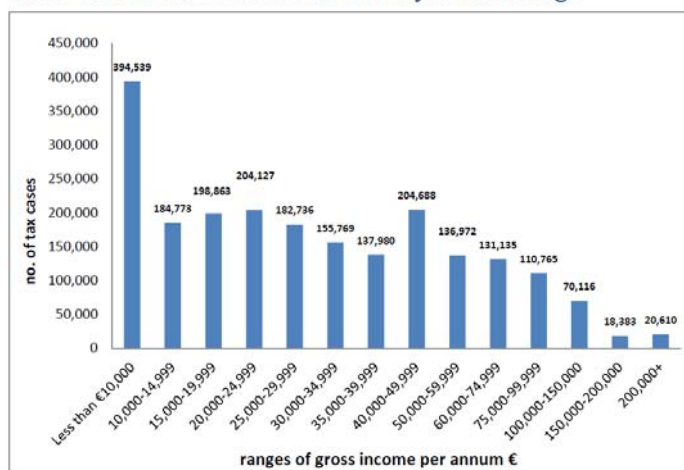


Chart 4.6a Distribution of Tax Cases by income range



NERI • Quarterly Economic Facts • Autumn 2012

- 2009 tax year
- Tax cases: workers and pensioners
- 36% of tax cases reported a gross income of less than €20,000.
- 40% of tax cases are in the range from €20,000 to €50,000 per annum.

4. Making Ends Meet

- An increasing challenge given the recession: job losses, price changes, uncertainty, wage cuts, tax rises
- CSO's Quarterly National Household Survey module on the Economic Downturn published in February 2012.
- Looked at 'cutbacks' and 'financial adjustments'

'cutbacks' across eight areas of spending:

- o groceries,
- o clothing & footwear,
- o health insurance,
- o pension contribution,
- o holidays abroad,
- o going out,
- o club membership
- o lesson/classes for your children.

‘financial adjustments’ ...if households took any of these seven steps to pay for essential goods and services (such as food and electricity bills):

- spent savings,
- reduced savings,
- delayed or missed paying household bills,
- restructured mortgage repayments,
- delayed or missed credit card payments
- delayed or missed loan repayments and
- borrowed money from family or friends.

PES of Household Reference person	Cutbacks		Financial adjustments	
	At least one cutback	Average no. of cutbacks (max=8)	At least one adjustment	Average no. of adjustments (max=7)
At work	84	3.1	75	1.7
Unemployed	94	3.6	88	2.6
Student	80	3.1	76	2.1
Home duties	68	1.9	65	1.3
Retired	54	1.4	56	0.9
Others	78	2.4	72	1.8
All Households	79	2.8	72	1.6

Source: CSO Quarterly National Household Survey module on the Economic Downturn – Feb 2012.

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- Hitting across all income groups, but hitting low paid groups the hardest
- Low paid in both public and private sectors

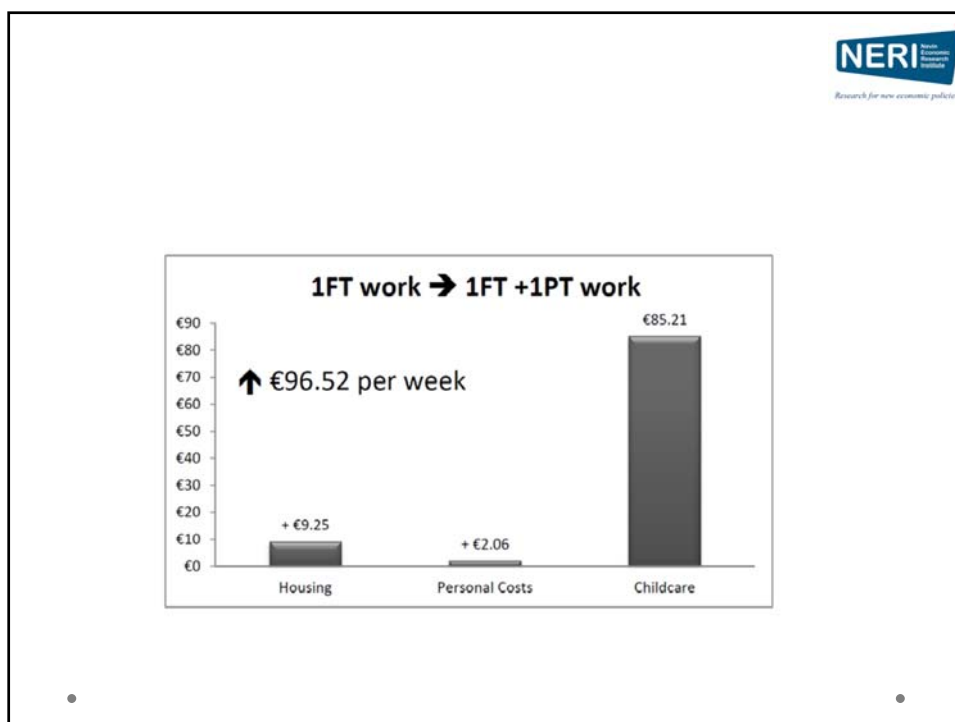
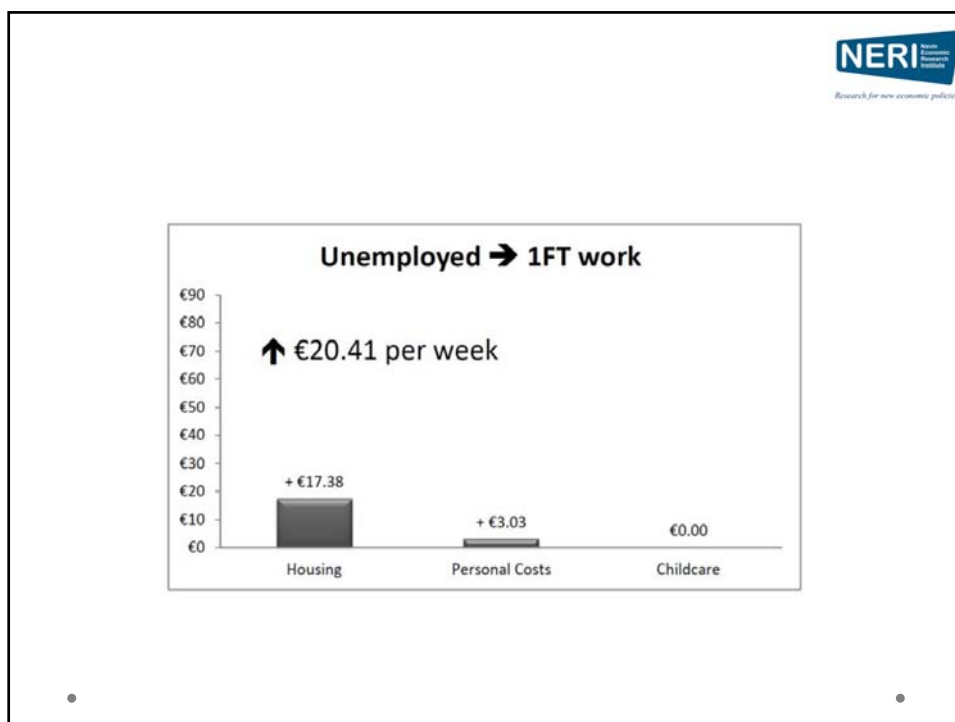
- Other research has highlighted challenges for low paid:
 - o Minimum Income needed for a reasonable standard of living (Collins et al, 2012)
 - o Cost of Work (Collins et al, 2012)
 - o Poverty data highlighting 'the working poor'

**The Cost of Work:
Insights from Minimum Income Standards
Research for Ireland**

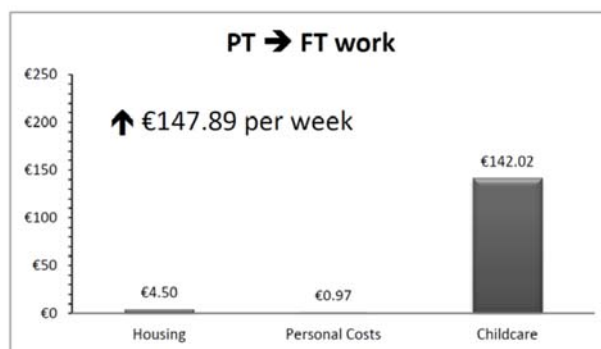
Micheál L. Collins, Bernadette Mac Mahon,
Gráinne Weld and Robert Thornton.

May 2012

NERI WP 2012/No 3



Urban 1 Adult and 2 Child Household



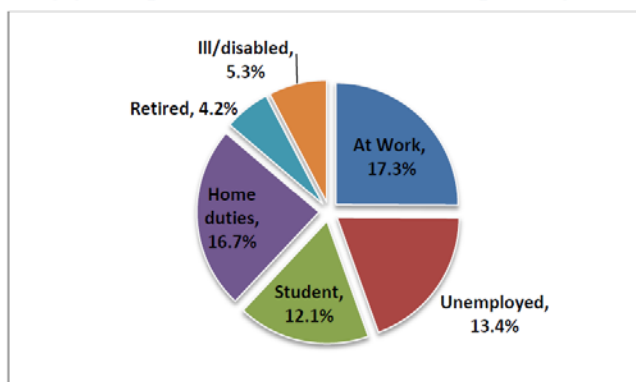
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An Phríomh-Oifig Staidrimh
 Central Statistics Office

Chart 5.3(ii) Composition of those at risk of poverty 2010 (%)



NERI • Quarterly Economic Facts • Autumn 2012

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5. Protecting those on low pay

- **Past policy has hit living standards hard:**
 - o Wage cuts
 - o Tax increases
 - o VAT increase in Budget 2012

- **Looking forward:**
 - o Need to emphasis the scale of low income and low earnings...this is not very well understood by policy makers and society generally
 - o Need to highlight the impact of further 'adjustments' on low earners:
 - all sectors: public, private, clerical, administrative, retail...
 - o See wages and public services as fundamentally linked
 - o Point towards alternative pathways

- **Alternative Pathways:**

- o NERI has highlighted potential to focus Budget adjustments in 2013 on tax increases for high earners and not cuts
- o Investment stimulus to lift the domestic economy:
 - small in 2013 (€500m)
 - larger in subsequent years
 - create 21,000 jobs
 - prevent 30,000 job losses
- o Tackling the unemployment crisis in a mixed way (forthcoming)
 - retraining, community employment...
 - job creation

- **In the longer term:**

- o Better public services e.g. childcare
- o Focusing tax reductions on VAT and the low paid
- o Refundable tax credits to benefit low income workers
- o Researching the idea of 'a living wage'
- o among others...

6. Some References

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