Research

Income in Ireland – an insight

A RECENT paper by Dr Micheál Collins of the Nevin Economic Research Institute (NERI), the new trade union supported all island think-tank, presented an insight into the most recent information on incomes and income distribution in Ireland.

Each year, since 2004, the Central Statistics Office (CSO) has collected detailed information on the income and living conditions of a representative sample of households across the Republic of Ireland. In general, the survey covers more than 5,000 households and 12,000 individuals. The information provided by this survey is useful for understanding the spread of income across households and it highlights the current and persisting gaps in the distribution of that income between rich, poor and middle income families. The latest data, published in March 2012, is for the year 2010; a year when the recession continued to bite and the wage reductions, welfare cuts and tax increases of various budgets were continuing to have notable impacts on Irish families and the challenges many face to make ends meet.

DISPOSABLE INCOME

Of particular note is the CSO's findings on the distribution of disposable income – the money households have in their pocket to spend after receiving any social welfare entitlements and having paid their taxes. In 2010 the CSO found that 30% of households lived on less than €21,000 per annum (disposable income) while 60% of households lived on less than €38,000. Looking at the distribution of disposable income, chart 1 shows the division of income across all households who are classified into ten groups – ranging from the 10% of households with the lowest incomes (bottom) to the richest 10% (top). In 2010 the top 10% of Irish households received more than 13 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.

Chart 2 tracks the changes in these income shares since the onset of the recession. Throughout that period the incomes of all households are likely to have fallen, but the trend in the share of incomes between households is interesting. Between 2007 and 2010 only the top 10% of households recorded any significant increase in their income share, all others recorded small increases or declines.

The CSO's data highlights that there are big and persistent divides in the income distribution in Ireland. It is useful knowledge as we consider reforms to taxes, benefits and earnings. NERI will be using this data to monitor and examine policy changes in its various publications in the months to come. However, one key point that the data illustrates is that living on a low income is a day-to-day reality for a large number of Irish households and Government and society generally needs to take account of this as we consider policy options.

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