

NERI Research inBrief

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Employee and Self-Employed Earnings in the Republic of Ireland

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SUMMARY

Despite its relevance to broad areas of public policy, detailed assessments of the structure and distribution of the income of workers in the Republic of Ireland has been limited.

This Research *inBrief*, which summarises results from an accompanying NERI Working Paper, provides a profile of the distribution of work related earnings for both employees and the self-employed.

Overall, the aim is to provide greater clarity on the shape of earnings across the state and in particular establish a more robust evidence base for our understanding of earnings.

KEY POINTS

- The distribution of employee income roughly divides into quarters:
 - 26% earn less than €15,000 per annum;
 - 28% earn between €15,000 and €30,000;
 - 24.5% earn between €30,000 and €50,000; and
 - 21.5% earn more than €50,000.
- At the top of the distribution, 5% of employees earn more than €85,000 and 3.5% earn more than €100,000.
- The distribution of self-employment income roughly divides into thirds:
 - 33.1% earn less than €10,000;
 - 32.3% earn between €10,000 and €25,000; and
 - 34.6% earn more than €25,000.
- 7.5% of the self-employed earn more than €75,000 and 3% earn more than €100,000.
- 1 in every 5 working households receive income from both employee and self-employment sources

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Research for new economic policies

Table 1: Distribution of Employee and Self-Employed Earnings, 2013

Income Range		% of those with Employee income	% of those with SE income
From	To		
€1	€5,000	8.5%	18.0%
€5,000	€10,000	8.9%	15.1%
€10,000	€15,000	8.8%	15.0%
€15,000	€20,000	10.0%	11.5%
€20,000	€25,000	9.9%	5.8%
€25,000	€30,000	7.9%	7.4%
€30,000	€35,000	7.6%	4.2%
€35,000	€40,000	6.6%	7.3%
€40,000	€50,000	10.3%	4.4%
€50,000	€75,000	14.2%	3.8%
€75,000	€100,000	3.8%	4.6%
€100,000 +		3.5%	2.9%
		100.0%	100.0%

Introduction and Data Source

Despite its relevance to broad areas of public policy, detailed assessments of the structure and distribution of the income of workers in the Republic of Ireland has been limited.

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. The analysis is purely focused on the income employees receive from work (cash and non-cash earnings) and the income from work of the self-employed (profit).

Employees and the Self Employed: the linkages

Although often considered as separate groups, employees and the self-employed are notably interlinked. Of the 1.53 million

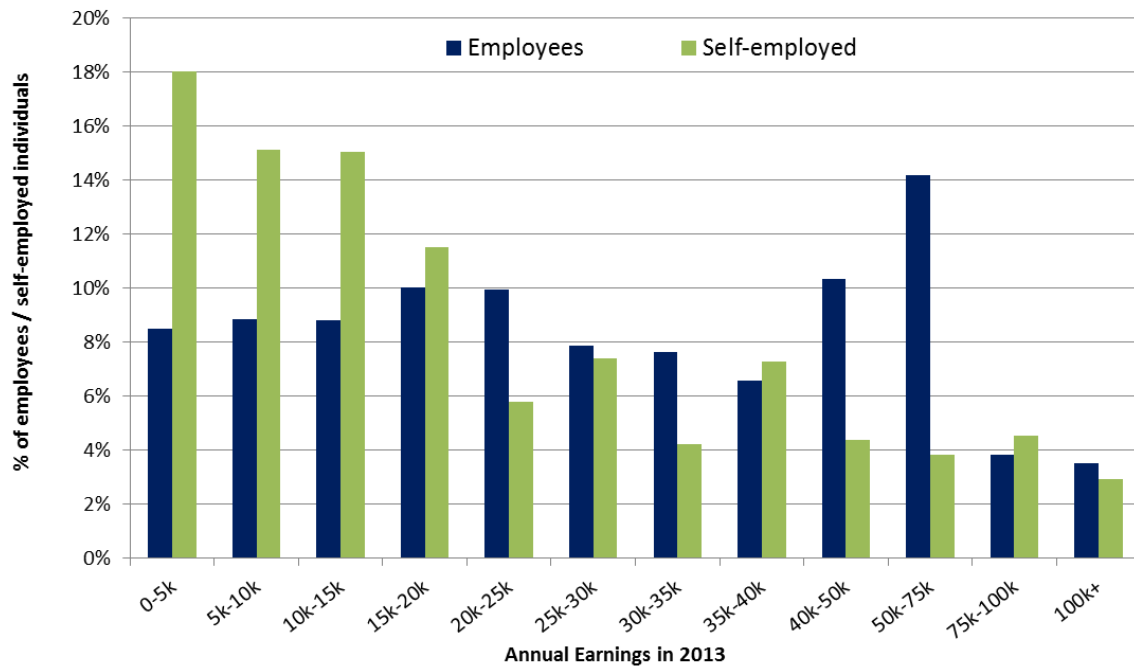
employees represented in the data almost 26,000 have both employee and self-employment income. Similarly, while the self-employment group is much smaller, with approximately 245,000 earners, almost 11% of the self-employed are also employees. At the household level the integration of both groups is more pronounced, with more than one in five working households (22%) having some element of self-employment income and 12% of working households receiving both employee and self-employment income.

The Distribution of Earnings

Table 1 and Chart 1 summarise the distribution of earnings from work across these two groups.

The distribution of employee income roughly divides into quarters: 26% (approximately 400,000) earn less than €15,000 per annum; 28% (425,000) earn between €15,000 and €30,000; 24.5% (375,000) earn between €30,000 and €50,000; and 21.5% (330,000) earn more than €50,000 per annum. About 485,000 earners are below the annualised value of the minimum wage for 2013 (€17,542). At the top of the distribution, 5% of employees earn more than €85,000 and 3.5% earn more than €100,000.

The distribution of self-employment income

Chart 1: Distribution of Employee and Self-Employed Earnings, 2013

roughly divides into thirds: 33.1% (approximately 80,000) earn less than €10,000 per annum; 32.3% (78,000) earn between €10,000 and €25,000; and 34.6% (84,000) earn more than €25,000 per annum. At the top of the distribution, 7.5% of the self-employed earn more than €75,000 and 3% earn more than €100,000.

Charts 2 and 3 present this data in another way. They show 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.

For employees in 2013 the median employee income (representing the income of the middle earner) was €27,619. In the same year the mean employee income was €35,079 (see Chart 2).

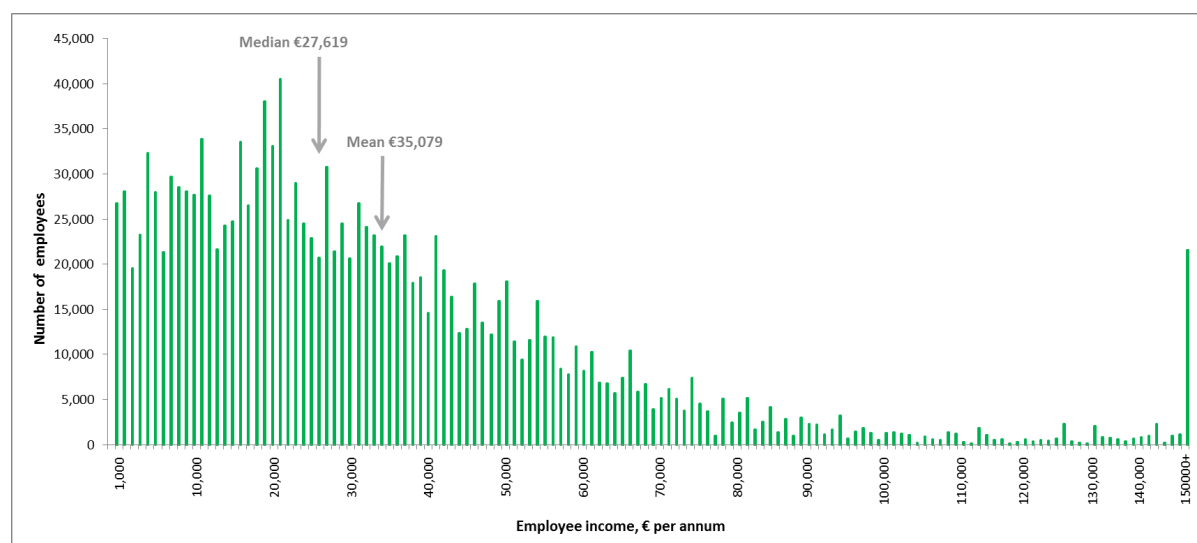
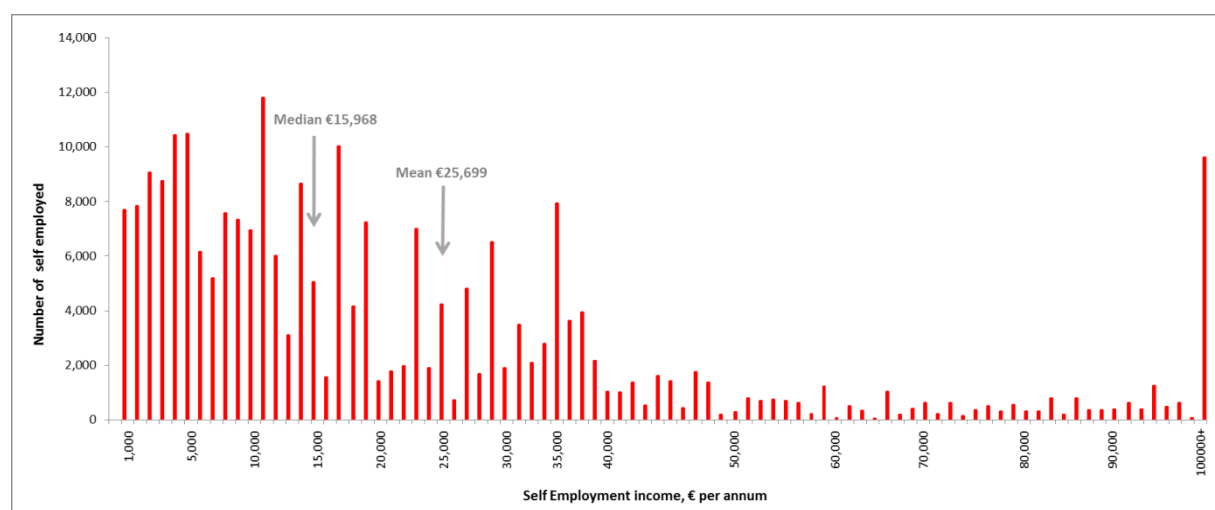
In 2013 the median self-employment income was €15,968. In the same year the mean self-employment income was €25,699. Although the self-employed are a smaller group than employees, they are notably more concentrated on lower incomes.

Some Implications

These findings carry a number of implications for policy.

The structure of worker income, for both employees and the self-employed, offers a useful insight into the context of, in particular, income taxation choices. In general workers sit in the top half of the income distribution; so for example, any reduction in taxation to this group will invariably have a regressive income distribution effect. Similarly, the distributive effects of any pay increases will be skewed towards the top half of the income distribution, irrespective of its structure. In either case, if policy objectives are focused on neutral or progressive outcomes, then these would have to be counterbalanced by changes to transfers lower down the income distribution.

The structure of worker income also offers an insight into the shape of the PAYE and self-employment taxation bases. Both include large numbers of workers with low incomes a phenomenon which carries implications for both the exchequer cost of reducing income taxes for these earners and

Chart 2: Distribution of Employee Earnings, individuals in 2013**Chart 3: Distribution of Self-Employment Earnings, individuals in 2013**

the breath of the remaining income taxation base. Similarly, the structure of the worker earnings distribution carries implications for redistributive policy in general. To date such policy has predominantly focused on the disposable income distribution and on adopting various policy measures to improve it. While that should continue, policy needs to be more aware of the structure of the underlying direct income and earnings distribution. Initiatives to increase low pay, enhance labour market participation and counter any widening of the direct income distribution need added attention.

References

This NERI Research inBrief summarises some information 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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