Quarterly Economic Observer

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Nevin Economic Research Institute

About NERI and this publication

The Nevin Economic Research Institute (NERI) has been established to provide information, analysis and economic policy alternatives. Named in honour of Dónal Nevin, scholar, trade unionist and socialist who gave a life of service to the common good, the Institute aims to undertake research that will be of relevance to the Trade Union movement and the general public across the island of Ireland.

This is the fourth Quarterly Economic Observer (QEO) of the Institute. The purpose of the QEO is to provide regular, accessible and timely commentary so as to equip trade unions and others in articulating and advancing a new economic paradigm where the old has failed. The QEO complements the NERI Winter 2012 Quarterly Economic Facts (QEF) which provides a set of statistical indicators to underpin our analysis. The data cited in this Observer are the latest available as of mid-December 2012. The final draft of this document was completed on 4th January 2013.

This report has been prepared by staff of the Institute. We are grateful to three external reviewers from the academic and research community who reviewed and commented on an earlier draft of this document. We also acknowledge the European Commission's HERMIN model which has been used as part of the macroeconomic assessments in this publication.

Further information about NERI may be obtained at our website
www.NERInstitute.net

The publication of this edition of the Quarterly Economic Observer was postponed from mid-December 2012 to January 2013 as a mark of respect for the late Dónal Nevin who died on the 16th December 2012.

The Nevin Economic Research Institute

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Executive Summary

In this edition of the Quarterly Economic Observer (QEO), the NERI outlines our expectations for the Republic of Ireland's economy for the next three years. Our projections are pessimistic, highlighting an ongoing economic stagnation as a result of continued contractions to domestic demand, sustained uncertainty at a European level and a related slow recovery of the international economy.

Over the next three years we project:

- annual GDP growth of less than 1% per annum for the next two years and 1.8% in 2015;
- a further contraction of the domestic economy following Budget 2013; and
- a further increase in unemployment in 2013 and 2014.

Given this, the prospect of higher budgetary deficits, larger numbers unemployed, further austerity measures and the contracting domestic economy leads us to question the Government's capacity to reach its fiscal targets in 2015 and to limit the increase in the national debt without significant changes in policy approach as well as improvement in international conditions.

In this QEO we also focus on the nature of Ireland's income distribution and detail the distribution of incomes across households and individuals (section 4). We highlight that:

- 33% of households have a gross income of less than €30,000;
- 56% of households have a gross income of less than €50,000;
- 62% of households have a gross income below the mean household income;
- The top 20% of households have a gross income of more than €80,000 per annum;
- 14% of household have a gross income above €100,000 per annum; and
- 2% of households have gross incomes above €200,000 per annum.

1 Introduction

Both economies on the island of Ireland continue to show signs of sustained economic stagnation. In the Republic of Ireland, following Budget 2013, the outlook remains pessimistic with high unemployment, static growth and a continually shrinking domestic economy weighing down the prospects of any real recovery in the economy's fortunes. In Northern Ireland the picture, though not as bleak, remains very challenging with static unemployment and limited macroeconomic progress.

In this QEO we focus on the Republic of Ireland – the next edition will focus on Northern Ireland (Spring 2013) – examining recent trends and future prospects for the major macroeconomic indicators. We also focus on the nature of the income distribution in the Republic of Ireland and cast light on the nature and shape of that distribution among households and individuals - issues that are often discussed, but rarely detailed, in the policy formation process.

The QEO is structured as follows. Recent economic trends in both parts of Ireland are reviewed in Section 2. Section 3 provides an overview of recent macroeconomic projections made by various agencies and includes the NERI's first set of macro-economic projections for the Republic of Ireland out to 2015. In Section 4 we explore the details of the income distribution in the Republic of Ireland and highlight the number of household and individuals at various levels of the gross and disposable income distribution. Section 5 concludes.

The Nevin Economic Research Institute offers this report as a contribution to public debate on policy making and formation on the island of Ireland. We welcome feedback, comment and suggestions. The precise data used and the specifics of any proposal/projections are subject to review as fresh information and data become available.

2 Overview of Recent Economic Trends

There have been a number of positive economic developments in the Republic of Ireland in recent times:

- Interest rates on consumer loans have continued to decrease;
- Average weekly earnings have shown a moderate increase in nominal terms;
- Exports – seasonally adjusted – have continued to grow, in both value and volume terms, and counter-act some of the negative developments in domestic demand[1];
- By contrast with the period 2009-2010 there is evidence of stabilisation in some of the key macro-economic aggregates including the level of Gross Domestic Product (GDP) as well as in the cost of borrowing as reflected in rates of interest payable on loans by the Irish Government; and
- There are signs of higher confidence as reflected in interest yields on 10-year Irish bonds issued on secondary markets.

However, worrying economic signs are given by:

- A decline in industrial production, including in the 'modern sector';
- Continuing high levels of youth unemployment, long-term unemployment and an increasing number of people who are becoming more distant from participation in paid work;
- Underemployment remains stubbornly high;
- Continuing stagnation in final domestic demand (see Chart 2.1); and
- Signs of dis-improvement in the quality and quantity of some public services with possible immediate and long-term implications for social well-being and general economic competitiveness.
- Continuing uncertainty at a European level regarding resolutions to the various fiscal and banking crises affecting, for example, the economies of Ireland, Greece, Spain and Portugal.

[1] However, provisional data released by the CSO on 18th December 2012 indicate a fall in the total volume and value of exports in the third quarter when not seasonally adjusted.

Total employment continues to stagnate and the standardised rate of unemployment has now reached 14.6% (November 2012).[2] Retail sales across a wide range of products have been on an upward trend since June (to October) though loans to households and businesses continue to contract at least up to September. The banking sector continues to be excessively cautious about lending to enterprises as it seeks to repair its balance sheets notwithstanding huge injections of capital by the taxpayer. Gains in industrial production since 2009 have reversed (with industrial production down 17.9% in October 2012 compared to October 2011), and are back at a level last seen in 2009. Production in the 'modern sector' of industry fell by 20.8% over the year and fell by only 5.5% in the 'traditional sector' pointing to a reversal in fortunes for both sectors.[3] This is due to patent related developments in the pharmaceutical sector alongside greater uncertainty in our export partners which are having a larger effect on our 'modern sector'.

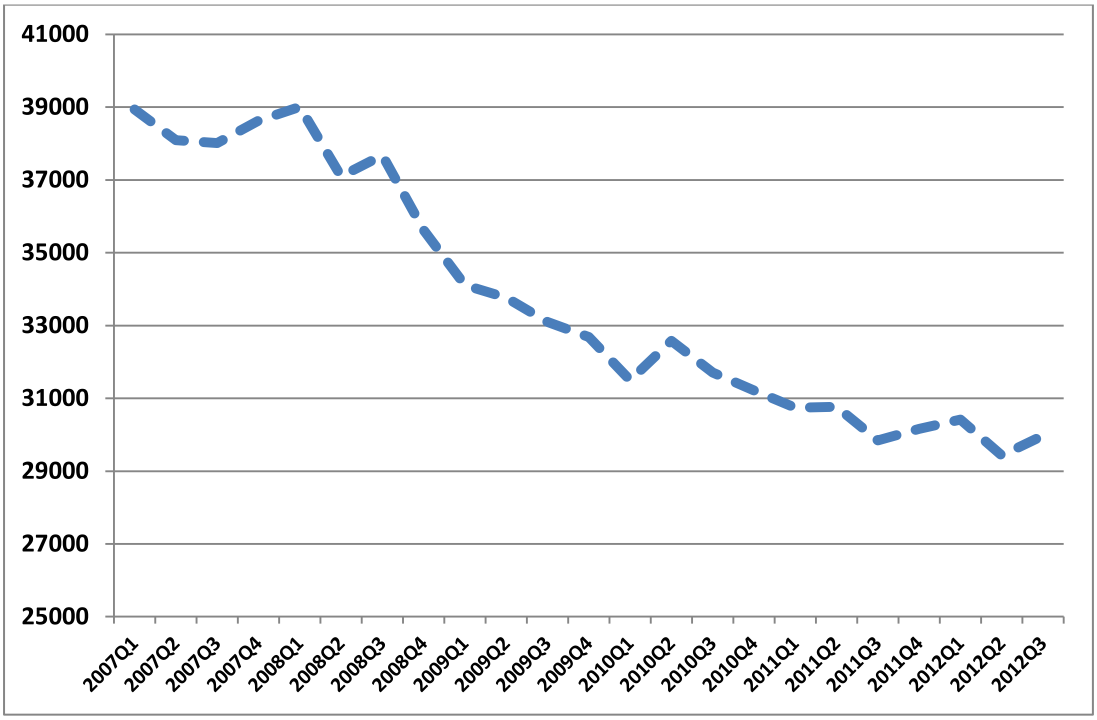
The effects of Budget 2013 are likely to further reduce economic growth and employment, especially with regard to the domestic economy. Compared to a baseline of no fiscal consolidation, the NERI has estimated that Budget 2013 will:

- cost between 25,000 and 35,000 jobs;
- reduce GDP by 2.1%; and
- lower private consumption by 4%.[4]

Despite the announcement of capital investment proposals by the Government in July 2012, Budget 2013 resulted in continued cuts in the public capital programme. This is likely to result in job losses in the short term, and in the long term severely reduce the ability of the economy to grow, sustain the level of national debt, and take advantage of any upswing in the world economy. There is a compelling case not only to accelerate investment in priority infrastructure areas but to bring forward plans to reform banking and to establish a Strategic Investment Bank as mentioned in the Programme for Government.

[2] The latest QNHS (CSO, 2012a) shows that there has been a fall on a year-on-year basis and also a quarterly seasonally adjusted basis. There has been a minor quarterly increase if no account is taken of seasonal factors.
[3] The modern sector includes chemicals, pharmaceuticals, medical and dental supplies, reproduction of recorded media, computers, electrical equipment and optical equipment. The traditional sector covers all other areas of industry.
[4] These results were established using the NERI implementation of the HERMIN model.

Chart 2.1 Trends in the real value of domestic demand (Republic of Ireland) – seasonally adjusted quarterly data 2007-2012 (€m)



Source: CSO (2012b): Quarterly National Accounts.
Notes: Final Domestic Demand = Personal Consumption + Government Consumption + Investment. Domestic demand chiefly differs from Gross Domestic Product due to the size of net exports = exports – imports, and changes in values of physical stocks.

As exports have been growing over the past few years, it is clear that the lack of economic growth is due to a lack of domestic demand driven by a series of contractionary budgets alongside 'de-leveraging' by households. The government is working under an assumption that fiscal consolidation is over 80% effective (Department of Finance, 2012a:C13). However, in an analysis by the ESRI (Kearney, 2012: 76), it is shown that despite cuts and tax increases by the government of €23 billion (from 2009 to 2012) the deficit has only been narrowed by €8.8bn, about one-third of this amount. This shows that the government's fiscal policy has been damaging, not only in terms of jobs and growth, but has been highly inefficient at closing the deficit. An adjustment programme based on tax increases combined with an increase in public investment is likely to be more efficient at narrowing the deficit, while also being more beneficial in terms of growth and job creation.[5]

Table 2.1 Some key economic trends in Ireland and the UK (2007-2011)

		2007	2008	2009	2010	2011
Total Employment	ROI	69.2	67.6	62.2	60.1	59.2
(% of Working Age Population)	NI	68.8	68.2	64.8	66.0	67.1
	UK	71.5	71.5	69.9	69.5	69.5
Unemployment	ROI	4.7	6.4	12.0	13.9	14.7
(% of labour force)	NI	4.1	4.6	6.3	6.9	7.3
	UK	5.3	5.6	7.6	7.8	8.0
GDP	ROI	5.4	-2.1	-5.5	-0. 8	1.4
(% volume change for each year)	NI*	3.0	-2.7	-5.1	0.4	n/a
	UK	3.6	-1.0	-4.0	1.8	0.8

Sources: ROI and UK labour market data refer to the whole year and were taken from the Eurostat Labour Force Survey database.
Northern Ireland labour market data is for the period January to March of each year from the Northern Ireland Labour Force Survey.
GDP data for ROI are taken from CSO National Accounts and UK are from Eurostat National Accounts database.
Northern Ireland Gross Value Added data are taken from ONS Regional Trends Series.

Notes: ROI = Republic of Ireland, NI = Northern Ireland and UK = United Kingdom.
* Northern Ireland output refers to Gross Value Added (GVA).
Total employment refers to all persons in employment (ILO definition) aged 15-64 as a proportion of all persons aged 15-64. Unemployment is calculated on an ILO definition basis and refers to persons aged 15-74. Employment and unemployment figures for the Republic of Ireland are subject to revision.
n/a = not available.

The Republic of Ireland is now in its fifth year of recession or stagnation with no sign of a significant recovery in GDP in the first three-quarters of 2012. North of the border the economic outlook is similarly pessimistic, though Northern Ireland has not experienced the same scale of economic contraction as in the Republic. An overview of recent trends in output, employment and unemployment for both Ireland and the United Kingdom is provided in Table 2.1. Supplementary data may be found in Tables 7.1 and 7.2 of the appendix to this Observer. In Northern Ireland, following a sharp downturn in 2008 and 2009 recovery in output has been very constrained and unemployment continues to rise. The policies of fiscal austerity in the United Kingdom since 2010 have worsened general economic conditions there. Serious inroads on the

[5] See Healy and O'Farrell (2012) and NERI (2012) who outline the economic impact of such a domestic stimulus proposal.

level and rate of unemployment in either jurisdiction are unlikely until sustained growth in output is restored at a rate in excess of 2% per annum.

The reality of these economic conditions, alongside the effects of various austerity measures, have impacted hard on the living standards of households and communities across the island. Many continue to experience reduced, precarious or no work; difficulties with personal debts; and contracting incomes as a result of taxation, welfare and earnings changes. Those dependent on public services, often those within the most disadvantaged segments of society, have further experienced reductions to those services and uncertainty regarding their on-going provision. It is in this context that recent economic trends and future prospects must be considered. Although some economic indicators are showing no further contraction at this point, as we outline in the next section, future economic prospects remain uncertain.

3 Macroeconomic Projections

Into the medium term we expect that unemployment will remain stubbornly high and GDP growth will continue to be low. On the basis of low growth and continuing high levels of unemployment we question the Government's capacity to reach its budgetary target of 3% of GDP by 2015.

Uncertainty in key international trading partners allied to the overhang of household debt and unemployment in both economies on the island of Ireland is likely to hold back full economic recovery by a number of years. In this Quarterly Economic Observer we present, for the first time projections for the next three years.[6] Table 3.1 provides projections of GDP, employment and government debt for 2013-2015 together with an estimate of outcomes for 2012 using 2011 as the base year.

Despite growth in net exports, the NERI expects 2012 and 2013 to be years of stagnation. This is based on an assumption that the demand for imports in the Eurozone will decrease by 0.3% in 2012 followed by increases of 0.9% in 2013 and 4.5% in 2014.

The continuing decline in domestic demand is likely to continue for at least another year as a consequence of continuing fiscal austerity combined with the high level of indebtedness and lack of domestic consumer and investor confidence.

For next year, we project a slightly lower general government deficit compared to that given by the Department of Finance (-7.1% GDP compared to -7.5%). However, we consider it doubtful that the government will reach the target of reducing the deficit to below 3% of GDP by 2015 (the target as set out under the Excessive Deficit Procedure in European Commission (2011:2)). In particular, slow growth will make it more difficult to carry the existing level of debt. These results are broadly consistent with projections made by Bradley and Untiedt (2012). Under a range of assumptions about

[6] These projections are informed by use of a VAR model and the NERI implementation of the HERMIN model. VAR models are frequently used for making very short-term forecasts. In this edition we use VAR to estimate changes in 2012 over 2011. The VAR model is a VECM model of rank 2, with 3 lags using the variables of log seasonally differenced real GDP, real Final Domestic Demand, and Employment. The HERMIN model provides a useful basis for short to medium forecasting. Using the HERMIN model is appropriate for medium term projections as it employs historical data to model complex inter-relationships between product, employment and expenditure parts of the macroeconomy as well as factoring in given assumptions about international developments.

international economic trends, they do not project a fall in the government deficit below 6% before 2016 under any plausible international scenario – implying non-compliance with current budgetary targets even on the basis of a continuing intense domestic fiscal adjustment.

Table 3.1 Projections of Output, Public Finances and Labour Market (Republic of Ireland) to 2015

	2011 values	2011	2012	2013	2014	2015
National Income		*Percentage change over previous year*				
Gross Domestic Product	€159.0bn	1.4	0.3	0.6	0.8	1.8
Government Finances		*Percentage of GDP*				
General Government Deficit		-13.4	-7.8	-7.1	-5.7	-4.8
Gross Debt	€169.2bn	106.0	117.2	121.5	122.9	122.4
Labour Force		*Percentage change over previous year*				
Employment	1,849,100	-1.8	-0.8	-1.2	-1.0	-0.8
		Percentage of Labour Force				
Unemployment	316,700	14.6	14.9	15.2	15.5	15.5

Notes: 2011 data from CSO Quarterly National Accounts, CSO Quarterly National Household Survey, Department of Finance Medium Term Fiscal Statement and AMECO database; 2012-2015 data are NERI projections.

Unemployment is expected to remain stubbornly high. This is despite our expectation that the labour force will decrease by about 15,000 people per year. Such persistently high unemployment is consistent with past experience. Real GDP growth of approximately 2% per annum is typically required to generate higher employment. The NERI does not expect employment growth until 2016, after the government has completed its fiscal adjustment programme. It should also be noted that these unemployment figures conceal the problem of underemployment which currently runs at over 25%.[7]

[7] See Collins (2012) and NERI QEF January 2013 (NERI, 2013) indicator 2.5a for more information.

Table 3.2 Overview of recent projections of change in real GDP (Republic of Ireland)

	2010	2011	2012	2013	2014	2015
Outcomes	**-0.4**	**1.4**				
Projections						
NERI	-	-	0.3	0.6	0.8	1.8
Department of Finance	-1.3	1.7	0.9	1.5	2.5	2.9
Central Bank	-2.3	2.4	0.5	1.7	-	-
EU Commission	-1.4	0.9	0.4	1.1	2.2	-
IMF	-2.5	2.3	0.4	1.4	2.5	2.8
OECD	-2.3	1.5	0.5	1.3	2.2	-
ESRI (QEC)	-0.25	2.25	1.8	2.1	-	-
Ernst and Young	-0.6	1.1	-0.1	0.6	1.4	3.0
NCB	-0.3	1.0	0.3	1.5	2.0	2.2

Sources: Department of Finance Budget 2013 Economic and Fiscal Outlook (December 2012) (Department of Finance, 2012b); Central Bank: Quarterly Bulletin (October 2012); European Commission European Economic Forecast: Autumn 2012 (November 2012); International Monetary Fund: Seventh Review Under the Extended Arrangement (September, International Monetary Fund, 2012); OECD: Economic Outlook (December 2012); ESRI: Quarterly Economic Commentary (September 2012) (Duffy, Durkan and Casey, 2012); Ernst and Young: Economic Eye, June (2012a); NCB: Irish Economy Monitor (November 2012).

Notes: Data sources for Outcomes: Central Statistics Office and Eurostat.
Previous forecasts for 2010-2011: Forecasts made at the end of the previous year (2009 and 2010, respectively, for 2010 and 2011)
Current forecasts for 2012-2014 as of December 2012 or the most recent period.

Table 3.3 Overview of recent projections of unemployment as % labour force (Republic of Ireland)

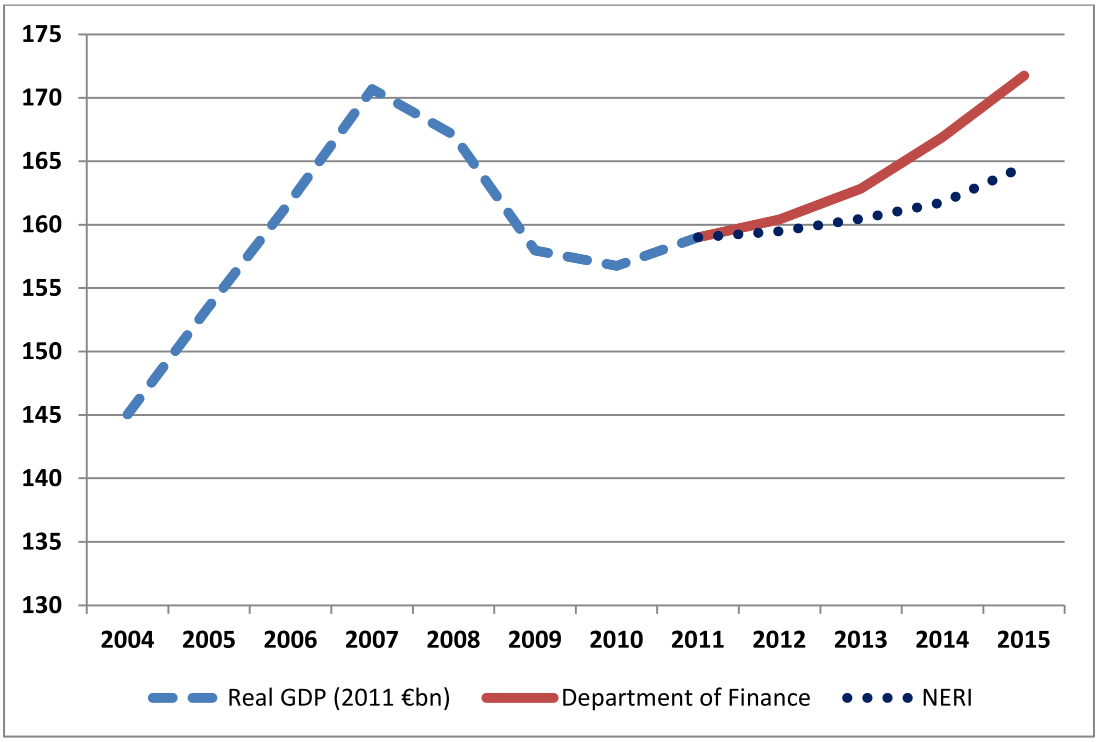
	2010	2011	2012	2013	2014	2015
Outcomes	**13.9**	**14.6**				
Projections						
NERI	-	-	14.9	15.2	15.5	15.5
Department of Finance	13.2	13.2	14.9	14.6	14.1	13.1
Central Bank	14.0	13.3	14.8	14.5	-	-
EU Commission	14.0	13.5	14.8	14.7	14.2	-
IMF	15.5	13.0	14.8	14.4	13.7	13.1
OECD	14.0	13.6	14.8	14.7	14.6	-
ESRI (QEC)	13.75	13.5	14.8	14.6	-	-
Ernst and Young	13.2	12.7	14.9	15.2	15.1	14.4
NCB	13.0	13.0	14.8	14.2	13.3	11.4

Sources: See table 3.2.
Notes: See table 3.2.

Table 3.2 and Table 3.3 outline our projections of GDP and unemployment for the next three years, and compare these projections with those of other agencies. Data for 2011 reflect the last forecast or projection made by various agencies before 1 January 2011.

The projections for 2012 and later years come from the latest release of projections by various agencies listed in Table 3.2. All forecasters are agreed that the immediate economic outlook remains very uncertain and challenging. With the exception of the ESRI, all forecasters expect a fairly stagnant economy in 2012 with GDP growth under 1%. Most forecasters expect growth of around 2% per annum from 2014. We do not expect a recovery of what might be considered a typical long-term real annual growth of between 2% and 3% until 2016. This is due in the main to contracting or stagnant domestic demand caused by fiscal consolidation removing demand from the economy. There is also consensus amongst forecasters that unemployment will remain very high into the medium term.

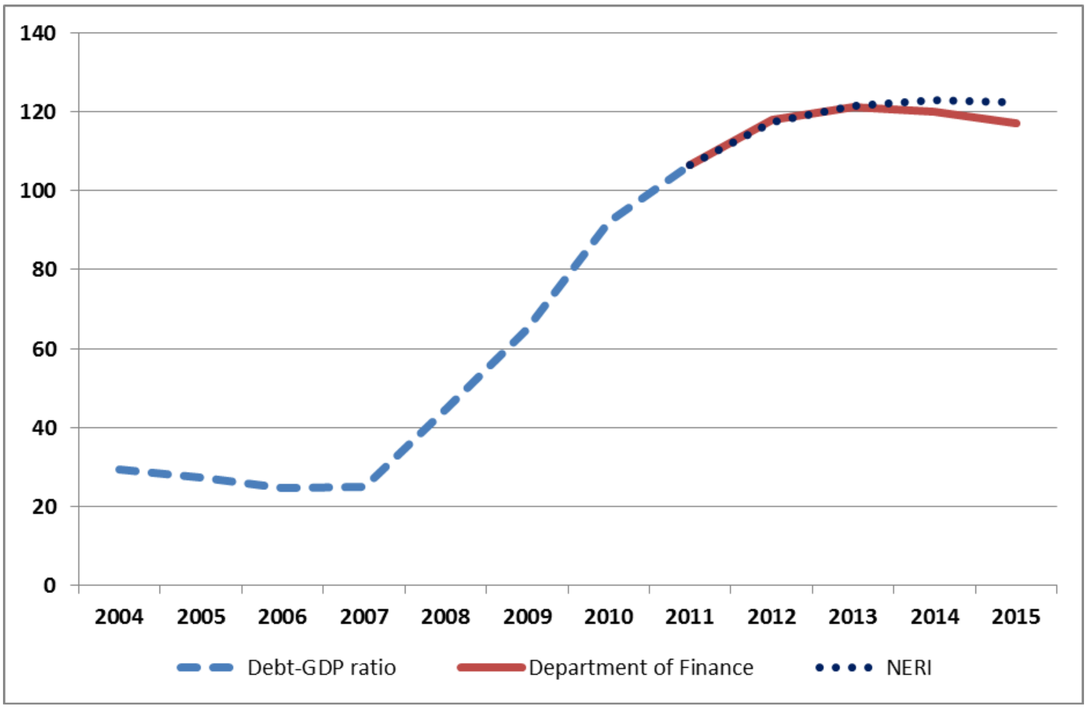
Chart 3.1 Real GDP in 2011 prices – Republic of Ireland



Source: AMECO, Department of Finance (2012b), and NERI calculations

As can be seen in Chart 3.1, the Department of Finance expects the economy to return to 2007 levels of real output by 2015. Our projections are less optimistic. As export growth has been relatively good, it is not the external economic environment, but the negative effect of fiscal consolidation on the domestic economy, that is the main drag on economic growth.

Chart 3.2 Projections of Debt/GDP ratio – Republic of Ireland

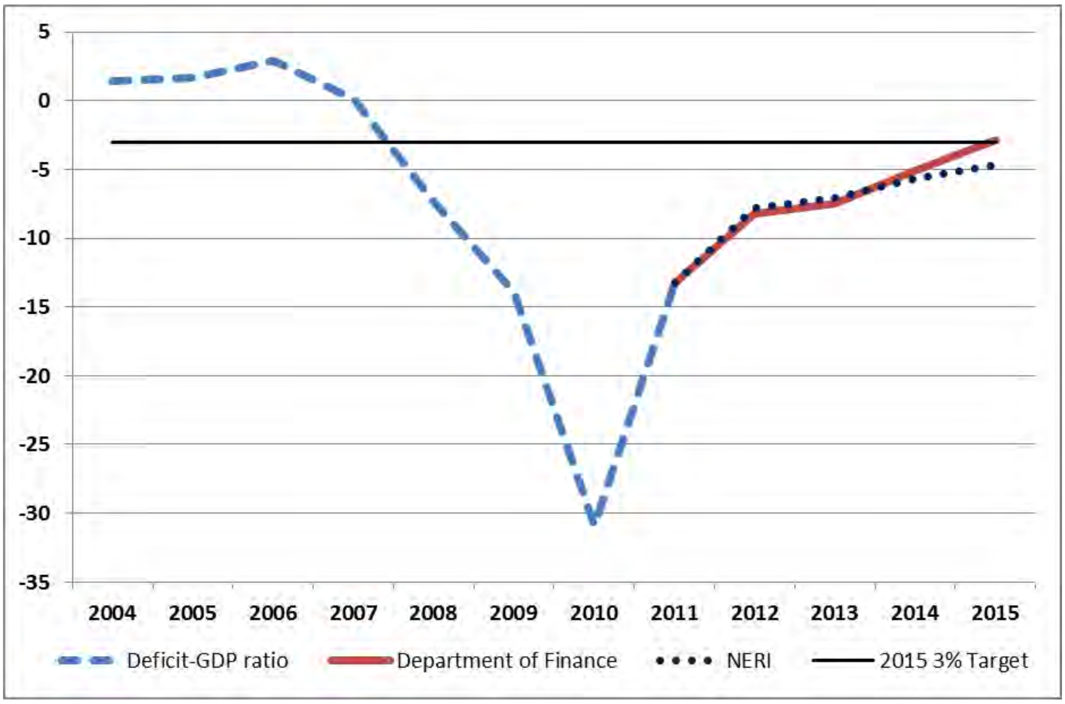


Source: AMECO, Department of Finance (2012b), and NERI calculations

The debt/GDP ratio is an indicator of the sustainability of the Gross General Government debt (see Chart 3.2). Assuming a slow international recovery along with rising unemployment to 2015 and larger budget deficits than those projected by the Department of Finance, we expect further increases in general government debt rising from 117% of GDP in 2012 to 122% in 2015.

NERI projects a gradual fall in the General Government deficit from 7.8% of GDP in 2012 to 4.8% in 2015. The 2015 outcome would still be above the 'Maastricht' target level of 3% which has been incorporated into the Memorandum of Understanding under the five-year fiscal adjustment plan agreed with the Troika in 2010. This would represent a failure to achieve one of the main fiscal targets of the Troika plan. The Department of Finance continues to project that the government will achieve this target despite revising downwards their growth expectations.

Chart 3.3 Projections of Deficit/GDP ratio – Republic of Ireland



Source: AMECO, Department of Finance (2012b), and NERI calculations

Risks to the forecast

Economic forecasting is always beset by the uncertainties of future trends in the behaviour of various economic agents. Any projection of government debt is sensitive as to whether or not an agreement can be reached with the Troika with regard to restructuring of the IBRC Promissory Notes and the bank related element of our national debt. A restructuring could possibly lead to an easing of the programme of fiscal adjustment in the short-term, and allow for an expansion in domestic demand. Such an agreement would represent a positive shock. Alternatively any postponement of the cost of servicing the debt incurred by the Promissory Notes could be used to reduce the overall level of debt and not for stimulatory fiscal measures.

Another possible source of uncertainty is that the Government's programme of fiscal adjustment may differ from that already announced. In creating these projections it is assumed that the government will implement its pre-announced plan. As mentioned in the previous section the Government's recent attempts at fiscal consolidation have been inefficient. An alternative approach to consolidation could be based on tax increases and greater public investment (see Healy and O'Farrell, 2012). If such a policy change were to be pursued it would lead to an upward revision in projections of

GDP and employment and would lower the Government deficit compared to the existing plan.

Finally, the external economic environment has a major impact on growth in the Republic of Ireland. The NERI projections are based upon moderate levels of growth within the EU. External factors, such as continuing uncertainty with regard to the future of the Euro, or an oil price spike due to tensions in the Middle East can have a dramatic impact on economic outcomes. We are not in a position to assess the probability of such events coming to fruition except to point out that a fall in exports from Ireland would most likely turn a modest growth in GDP into a fall.

Northern Ireland

Table 3.4 provides an overview of recent economic forecasts for the Northern Ireland economy. Growth in Gross Value Added (the nearest proxy to GDP) is expected to contract overall for 2012 and marginally recover next year. According to forecasts by Ernst and Young the rate of unemployment is expected to increase and remain above its current level of 8% until 2015.

It was revealed in the Chancellor of the Exchequer's autumn statement on 4th December 2012 that the independent Office for Budgetary Responsibility (OBR) has significantly reduced its growth forecast for the UK economy in the medium term (HM Treasury, 2012a). Crucially it expects a return to negative growth in the final quarter of 2012, greatly increasing the possibility that the UK could enter another recession in early 2013. The autumn statement itself revealed two important policy announcements. Firstly the UK government have acknowledged that their commitment to a decreasing national debt by the end of the current parliament will not be met, the target date has been pushed back until 2017/18. Owing to an expected windfall from the sale of the 4G (cellular internet) license in 2013, the deficit may technically reduce this year in comparison to 2011/12. The government believes that it is on course to meet its budget deficit target to eliminate the structural component by 2016/17. This belief is boosted by the OBR's judgement that the forecasted underperformance of growth in the next five years will be largely cyclical.

Table 3.4 Overview of recent projections of real gross value added (GVA) and unemployment (Northern Ireland)

	2011	2012	2013	2014	2015
Gross Value Added					
Ernst & Young	0.5	-1.0	0.5	2.0	2.1
PWC	0.3	-0.5	1.2	-	-
Oxford Economics	0.5	-1.0	0.9	-	-
Unemployment % Labour Force					
Oxford Economics	7.3	-	7.8	-	-
Ernst & Young	7.4	7.8	8.5	8.2	7.9

Sources: Ernst and Young (2012b); PWC: Economic Outlook December (2012); Danske Bank/Oxford Economics (2012a, 2012b)

Notes: Gross Value Added differs from GDP by the difference between taxes and government subsidies.

The other important policy statement by the Chancellor was that increased public capital expenditure will be required for growth. Acknowledging this, the government has announced a £5bn capital expenditure programme to be funded through savings in current government departmental expenditure. While this policy concession is important, the limited scale of the programme and the cost of it in terms of a reduction in current departmental expenditures remains a concern. In short, debt reduction targets have been missed, growth forecasts have been cut and a minor concession on capital expenditure is the only divergence from earlier Government plans.

4 Income in the Republic of Ireland: a review

4.1 Introduction[8]

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. Reflecting this, the NERI is developing a microeconomic model of the Republic of Ireland income distribution which will facilitate an enhanced understanding of the income distribution and the effect on it of changes to earnings, taxes, benefits and entitlements. At the core of this model is detailed survey data from the Central Statistics Office's (CSO) Survey on Income and Living Conditions (SILC) – an annual household survey which collects data from more than 5,000 households and 12,000 individuals to provide a representative sample of Irish society.

In this section of the QEO, we use the data from this model to review the distribution of income by household and by individual. 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.

Individual income is also considered as it provides an insight into the flow of income to people from wages, other earnings, pensions and welfare. In our analysis of individual income, we exclude children (aged less than 17 years) so that the analysis is focused on adults and the annual income they receive.[9]

[8] The NERI wishes to acknowledge the assistance of staff at the Central Statistics Office who made available the data used in this section of the QEO.

[9] Those aged 17 and 18 years are not classified as children as at this age they may have completed their secondary education and be earning an individual income.

4.2 The Income Distribution

The distribution of two income concepts is examined in the analysis presented in this section.[10] 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).
>
> ***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/individual receives and is often used for classifying them (less than €50,000, more than €100,000 etc). The latter, disposable income, captures the amount of post-tax and transfer income households/individuals have to live off; essentially what is in their pockets to spend.[11]

As with all survey based measures of income the SILC data is not perfect. There are issues regarding how comprehensively it captures those on the very highest incomes given their small number and the difficulty in accurately and successfully sampling this group. Similarly, the income data may not be as comprehensive as is ideal, in particular relating to its ability to capture capital gains and given its inability to capture those who live in institutions (asylum centres, prisons, hospitals, care homes etc).[12] 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 the analysis below and in the forthcoming NERI microeconomic model.

The data used in the charts below is from the 2009 SILC survey. This data represents the most robust and recently available detailed data on income in Ireland.[13] In that

[10] The analysis in this section will be developed further in an NERI report on *Income in the Republic of Ireland* (Collins 2013, forthcoming).

[11] Note that gross income does not include one-off income sources, such as inheritances, and does include pension contributions. A household or individual's disposable income will be used to pay some mandatory non-income taxes such as property taxes/household charge, VAT and to pay for any housing costs.

[12] See CSO (2010) and Collins and Kavanagh (2006) who discuss these sampling issues in greater detail.

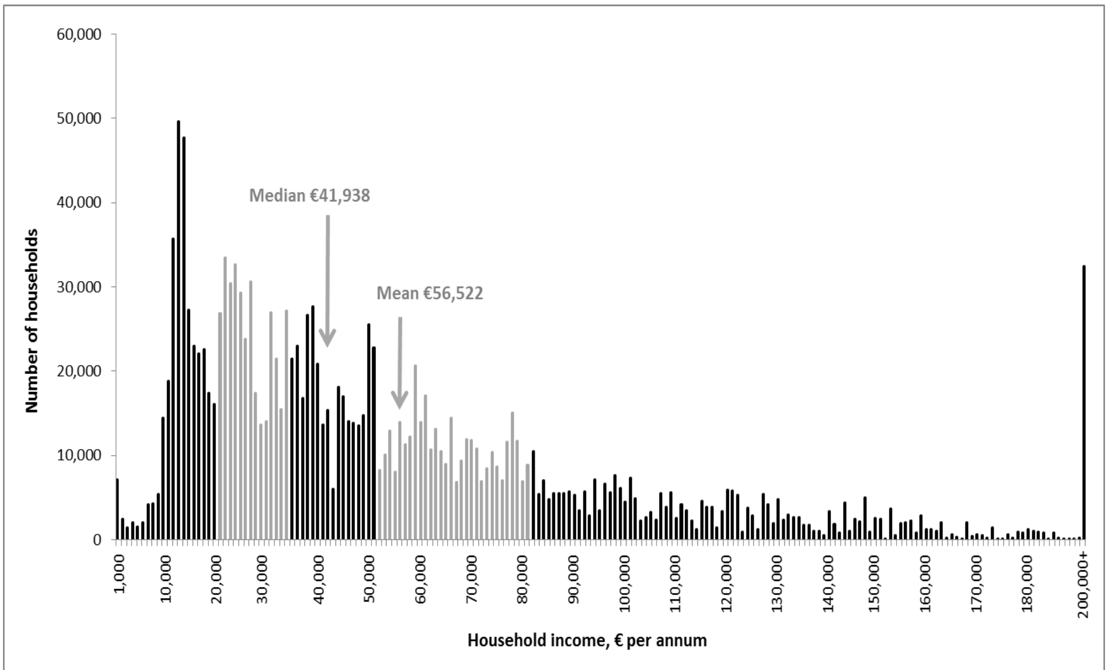
[13] The CSO have released data from SILC 2010, but propose to revise this data in early 2013. An assessment by NERI research staff of that dataset suggests likely problems with the representativeness of the income data for the bottom two deciles and the top decile. As a result, we have built this analysis, and the NERI microeconomic model, using the 2009 microdata. In early 2013 the CSO plan to release SILC data for 2010 (revised) and 2011. At that point the NERI model will be rebased using the 2011 data.

year the CSO estimate that on average there were 2.72 individuals (including children) per household. Later, Section 4.4 examines changes to income since then and the likely impact this would have on the trends identified below.

Household Gross Income

Chart 4.1 details the Republic of Ireland annual gross income distribution. 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 2009 the median income (representing the income of the middle household in the income distribution) was almost €42,000. In the same year the mean income was just over €56,500.

Chart 4.1 Ireland's Gross Income Distribution - households



Source: NERI microeconomic model using CSO SILC data.
Note: The differently shaded bars refer to household gross income quintile groups.

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 over 32,000 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 34,000 households record an income of less than

€10,000 per annum. In general these comprise single-person households, households with low self-employment income and unemployed households.

Chart 4.1 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 per annum.

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

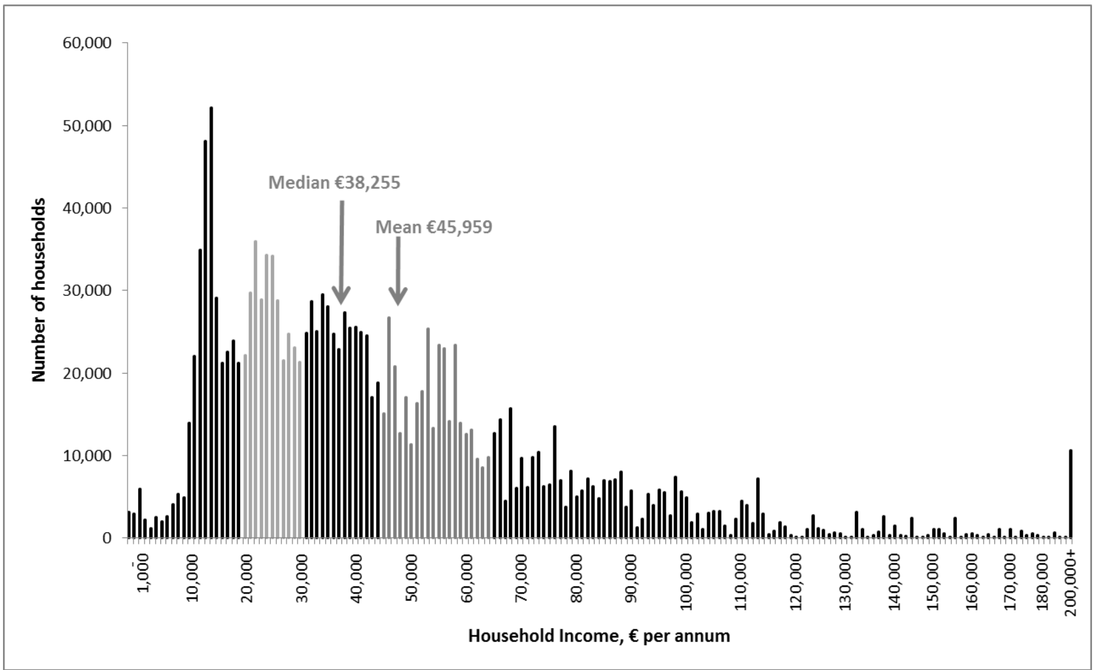
- 33% of households have a gross income of less than €30,000
- 56% of households have a gross income of less than €50,000
- 62% of households have a gross income below the average (mean) household income
- The top 30% of households have a gross income of more than €70,000 per annum
- The top 20% of households have a gross income of more than €80,000 per annum
- 14% of household have a gross income above €100,000 per annum
- 2% of households have gross incomes above €200,000 per annum

Household Disposable Income

The distribution of household disposable income is outlined in Chart 4.2 – it takes account of income taxes and social insurance contributions paid by households and therefore represents the income they have to live on (dispose of) each year.

Like Chart 4.1, the graph shows the number of households with different income levels, grouped in €1,000 income bands, with the height of the bars representing the number of households in each of these groups. In 2009 the mean disposable household income was €45,959 per annum and the median disposable household income was €38,255; equivalent to €881 per week and €733 per week respectively.

Chart 4.2 Ireland's Disposable Income Distribution - households



Source: NERI microeconomic model using CSO SILC data.
Note: The differently shaded bars refer to household gross income quintile groups – as in chart 4.1.

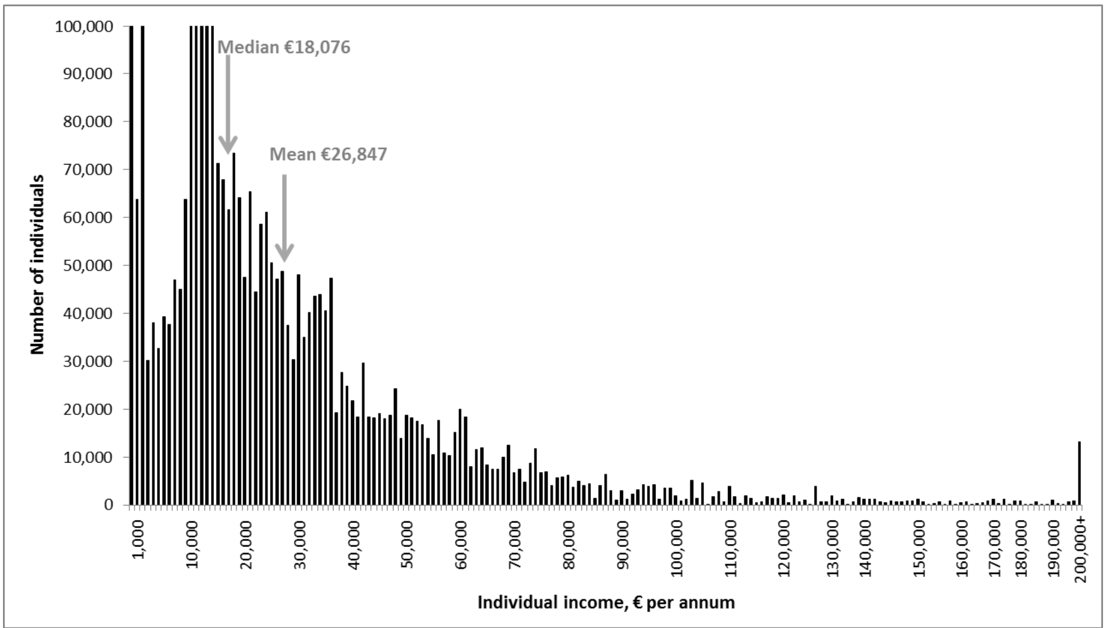
Among the key points on the distribution of disposable income across households are:

- 31% 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 €38,255 per annum
- On average Republic of Ireland households have an annual disposable income of €46,000
- The top 20% of households have a disposable income of more than €67,000 per annum
- The top 10% of households have a disposable income of more than €88,000 per annum
- The top 5% of households have more than €2,000 per week in disposable income (€104,000 per annum)
- The top 1.5% of households have a disposable income of more than €150,000 per annum

Individual Income

The distribution of individual income is examined over Charts 4.3 and 4.4. Following the previous charts, these graphs 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. In the case of income groups where there are more than 100,000 individuals the bars are capped at 100,000 with details included in the notes to the chart. These groups correspond to individuals with no incomes and those dependent on rates of social welfare benefits and pensions.

Chart 4.3 Ireland's Gross Income Distribution – individuals



Source: NERI microeconomic model using CSO SILC data.
Notes: Children aged less than 17 years have been excluded from the analysis. The data corresponds to a total of 3.36 million adults.
For reasons of presentation, the vertical axis has been capped at 100,000 individuals although in a number of the €1,000 categories the numbers exceed that total. These are: €0 (297,000 individuals), €1,000-€2,000 (144,000), €10,000-€11,000 (160,000), €11,000-€12,000 (115,000), €12,000-€13,000, (130,000), €13,000-€14,000 (125,000) and €14,000-€15,000 (103,000).

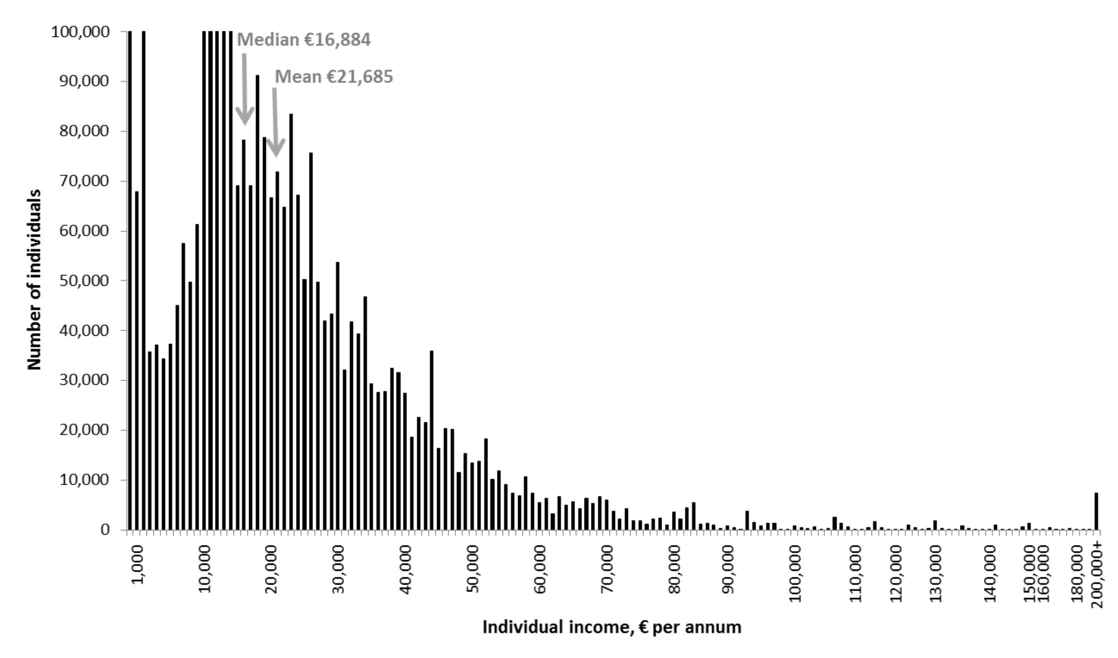
Chart 4.3 outlines the gross income distribution and its key points are:

- Almost 300,000 individuals (9% of the adult population) received no income. These are mainly individuals within households such as adults on home duties, full-time students and unemployed people with no entitlement to welfare payments

- 50% of individuals have a gross annual income of less than €18,000
- On average individuals in the Republic of Ireland have an annual gross income of €26,800
- 1.5 million individuals (40%) have a gross income between €10,000 and €30,000 per annum
- 2.6 million individuals (77%) have a gross income below €50,000 per annum – this excludes those with zero incomes
- The top 10% of individuals in the income distribution have an income of more than €60,000 per annum
- The top 5% of individuals in the income distribution have an income of more than €78,000 per annum
- The top 1.5% of individuals in the income distribution have an income of more than €120,000 per annum
- The top 1% of individuals in the income distribution have an income of more than €140,000 per annum

Chart 4.4 outlines a similar picture for the disposable income distribution. After income taxes, in 2009 the mean disposable individual income was €21,685 per annum and the median disposable individual income was €16,884; equivalent to €416 per week and €324 per week, respectively. Excluding those with zero income, there were 2 million adults with a disposable income of less than €500 per week (€26,000 per annum) and 575,000 with a disposable income of less than €200 per week (€10,400 per annum). At the top of the income distribution, the top 0.8% (25,000 individuals) have a disposable income of more than €2,000 per week (€104,000 per annum).

Chart 4.4 Ireland's Disposable Income Distribution - individuals



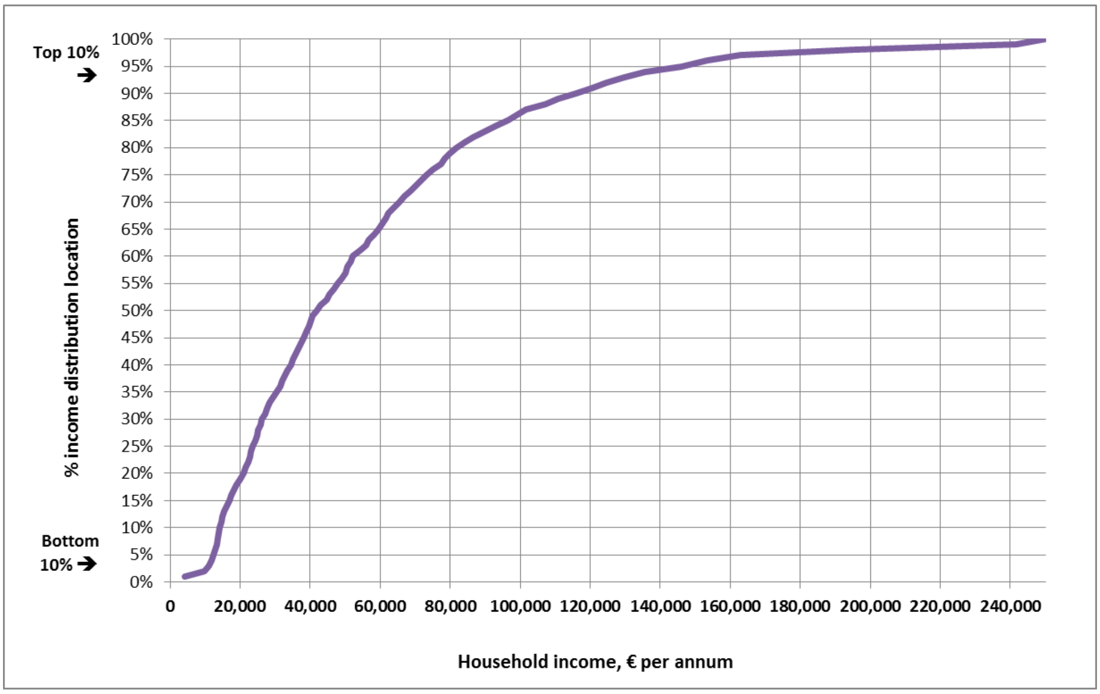
Source: NERI microeconomic model using CSO SILC data.

Notes: Children aged less than 17 years have been excluded from the analysis. The data corresponds to a total of 3.36 million adults.
A small number of individuals with a negative disposable income have been recoded to €0.
For reasons of presentation, the vertical axis has been capped at 100,000 individuals although in a number of the €1,000 categories the numbers exceed that total. These are: €0 (297,000 individuals), €1,000-€2,000 (148,000), €10,000-€11,000 (165,000), €11,000-€12,000 (124,000), €12,000-€13,000, (133,000), €13,000-€14,000 (138,000) and €14,000-€15,000 (111,000).

4.3 Low Incomes / High Incomes

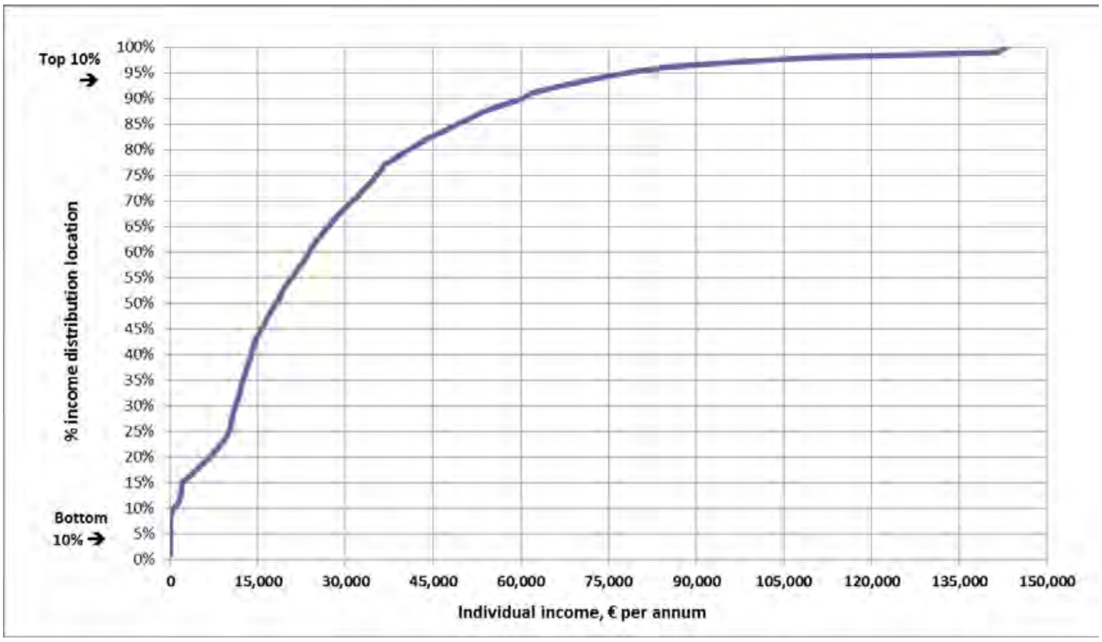
While there are no formal definitions of what is 'high income', 'low income' or 'middle income', some insight into these concepts can be attained from an examination of the above charts and the cumulative income distribution. Of necessity, these concepts are relative, i.e. what is a high income in society can only be judged vis-à-vis incomes generally. Using the data from the NERI microeconomic model Charts 4.5 and 4.6 show the cumulative distribution of gross income for households and individuals. The shape of these curves offers an insight into the overall structure of incomes in Ireland. For example, a household with a gross income of €80,000 per annum is at the 80th percentile of the household income distribution. Similarly, an individual with a gross income of €15,000 is at the 44th percentile of the individual gross income distribution.

Chart 4.5: Cumulative Gross Income Distribution - households



Source: NERI microeconomic model using CSO SILC data.

Chart 4.6: Cumulative Gross Income Distribution - individuals



Source: NERI microeconomic model using CSO SILC data.
Notes: See notes for Chart 4.3.

4.4 Changes in Income, 2010-2012

The data outlined in this section is based on an analysis of microdata from the 2009 Survey of Income and Living Conditions (SILC) produced by the CSO. Final figures for 2010 alongside data for 2011 will be made available during 2013.

Between 2009 and 2012 there have been further changes to the Republic of Ireland's income distribution. While a detailed insight into the nature of these changes will not be available until further releases of SILC, it is possible to examine trends in a number of the components of individual and household income over the period.

Comparing the Revenue Commissioner's data for the level and distribution of gross taxable income in 2009 with their projections for 2012 (see appendix 7.3), suggests that between 2009 and 2012 average tax case gross income declined by 4.88%, equivalent to €1,860. Across the income distribution, there was a shift towards more tax cases being below €75,000 per annum (see appendix chart 7.3.1).

Over the same period the proportion of the labour force who were unemployed increased from 12.9% to 14.7% (+99,000 individuals) and the numbers employed declined by over 150,000 (Collins, 2012 and CSO, 2012a). Working age social welfare payments and child benefit payments also declined over the period by 8% and 21.7% respectively. Between Q1 2010 and Q3 2012 average weekly nominal earnings marginally increased by €8.94 per week, equivalent to €466 per annum.

Increases in taxes over the period will also have impacted on the disposable income of individuals and households. Budgets from 2009 onwards have, in various ways, raised incomes taxes with almost all individuals and households experiencing higher effective tax rates. For example a single full rate PRSI PAYE worker earning €60,000 per annum paid €1,020 in additional incomes taxes in 2012 versus 2010; a two income couple on a similar income paid €780 in additional income taxes (see appendix 7.3 for further details).

Taken together, these trends suggest that since 2009 the overall level of gross and disposable income will have fallen. The distribution of that decrease is likely to have been spread across most households. Overall, the income distribution curves above are likely to have marginally shifted left, towards lower income levels, but the general shape of the distribution is unlikely to have significantly changed.

4.5 Summary

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. In this section of the QEO, we have introduced the NERI microeconomic income distribution model and examined the Republic of Ireland's income distribution by household and individual. Our objective has been 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.

5 Conclusion

Economic stagnation remains the major economic theme on the island of Ireland. North and South, domestic activity is weak, unemployment high and growth is limited. Focusing on the projections we outline for the Republic of Ireland for the next three years, we highlight in this QEO the very real challenges that face any pathway to recovery. It is clear that policy cannot continue to ignore the shrinking of the domestic economy. There is a need for a greater focus on stimulating domestic activity via investment and addressing the scale and depth of the unemployment crisis. While small measures have been taken on both these fronts, much more needs to occur.

In this document, we have also highlighted the nature and distribution of income in Ireland. While discussion on policy options is often framed in the context of the income distribution, it is often not understood or misunderstood. In outlining these details we hope to enhance broader understandings of incomes in Ireland so that current and future policy assessments can take a more detailed account of how many are at different points of the distribution. In our future work we plan to revisit this data in the context of many of these policy options and alternatives facing Irish society.

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7 Appendix

Appendix 7.1. Overview of key economic trends since 2007 – Republic of Ireland

	2007	2008	2009	2010	2011
Total Expenditure					
Consumption €m	92,724	94,153	83,155	82,060	81,308
Investment: private and public €m	48,377	39,324	25,601	18,745	16,112
Government current spending €m	28,997	30,482	29,213	26,170	25,410
Exports €m	152,389	150,181	146,369	157,810	166,791
Imports €m	135,328	133,877	120,352	128,326	131,875
Domestic Demand €m	171,122	163,628	136,479	126,422	123,056
Total Income					
GDP €m	188,729	178,882	161,275	156,487	158,993
GNP €m	162,209	153,565	132,911	130,202	127,016
Income from Agriculture €m	3,130	2,705	2,064	2,555	3,248
Income non-Agriculture: Wages €m	78,222	80,960	73,452	68,696	67,765
Income non-Agriculture: Other €m	66,395	56,000	50,768	54,443	58,056
Employment					
Labour Force	2,253,100	2,266,600	2,202,300	2,150,500	2,120,300
Labour Force Participation Rate %	64.6	64.2	62.5	61.2	60.4
Employment	2,149,800	2,107,100	1,922,400	1,851,500	1,805,500
Employment full-time	1,764,000	1,712,700	1,510,300	1,436,800	1,383,700
Employment part-time	385,800	394,400	412,100	414,700	421,800
Underemployment	n/a	92,900	108,900	108,800	135,700
Unemployment	103,300	159,400	279,800	299,000	314,700
Unemployment %	4.6	7.0	12.7	13.9	14.8
Long-term Unemployment	28,800	38,100	71,400	140,400	177,200
Long-term Unemployment %	1.3	1.7	3.2	6.5	8.4
Migration					
Immigration	151,100	113,500	73,700	41,800	53,300
Emigration	46,300	49,200	72,000	69,200	80,600
Net Migration	104,800	64,300	1,600	-27,500	-27,400

	2007	2008	2009	2010	2011
Public Finances					
Total General Gov. spending €m	69,539	77,009	78,550	103,427	76,536
Total General Gov. revenue €m	69,678	63,853	56,020	55,120	55,415
General Gov. Balance €bn	0.1	-13.2	-22.5	-48.3	-21.1
General Gov. Gross Debt €bn	47.3	79.6	104.6	144.2	169.2
General Gov. Gross Debt % GDP	25.1	44.5	64.9	92.2	106.4
Earnings and Prices					
Average earnings € per week	n/a	696.72	699.10	693.70	687.67
Average earnings % change	n/a	n/a	0.3	-0.8	-0.9
Private sector av. earn. % change	n/a	n/a	3.6	-2.4	-2.5
Public sector av. earn. % change	n/a	n/a	-2.4	-0.8	0.7
Inflation CPI %	4.9	4.1	-4.5	-1.0	2.6
Inflation HCPI %	2.8	3.1	-1.7	-1.6	1.1
Inequality and Poverty					
Gini coefficient	31.7	30.7	29.3	33.9	n/a
Quintile ratio	4.9	4.6	4.3	5.5	n/a
Relative poverty %	16.5	14.4	14.1	15.8	n/a
Consistent poverty %	5.1	4.2	5.5	6.2	n/a
Deprivation rate %	11.8	13.8	17.1	22.5	n/a

Sources: CSO Quarterly National Accounts; CSO National Income and Expenditure; CSO Quarterly National Household Survey; CSO Population and Migration Estimates; CSO Earnings and Labour Costs; CSO Consumer Price Index; CSO SILC Reports; Eurostat online database.

Notes: Earnings and labour market data are for Q3 in all years. Figures for 2011 are preliminary estimates.
National accounts data reported at current market prices.
Underemployment calculation - new series from 2008.

Appendix 7.2 Overview of key economic trends since the onset of the current economic crisis – Northern Ireland

	2007	2008	2009	2010	2011
Total Expenditure					
Personal consumption £m	-	-	-	-	-
Investment: private and public £m	-	-	-	-	-
Government consumption £m	-	-	-	-	-
Exports £m	5,476	6,199	5,143	5,299	5,733
Imports £m	4,810	5,570	5,028	5,210	5,532
Domestic Demand £m	-	-	-	-	-
Total Income					
GVA £m	28,192	28,827	28,256	28,162	-
GNP £m	-	-	-	-	-
Income from Agriculture £m	454	383	319	-	-
Income non-Agriculture: Wages £m	-	-	-	-	-
Income non-Agriculture: Other £m	-	-	-	-	-
Employment					
Labour Force	816,000	823,000	804,000	829,000	846,000
Labour Force Participation Rate	60.5	60.3	58.4	59.6	60.3
Employment	783,000	786,000	754,000	772,000	785,000
Employment full-time	611,000	608,000	585,000	589,000	608,000
Employment part-time	171,000	174,000	167,000	180,000	172,000
Underemployment	16,000	17,000	27,000	27,000	32,000
Unemployment	33,000	37,000	50,000	58,000	62,000
Unemployment rate %	4.1%	4.5%	6.2%	6.9%	7.2%
Long-term Unemployment	12,000	13,000	15,000	22,000	29,000
Long-term as % of Unemployed	36.4	33.9	29.8	37.8	47.7
Migration					
Immigration	19,369	15,350	12,690	11,854	-
Emigration	11,332	11,039	11,229	11,262	-
Net Migration	8,037	4,311	1,461	592	-

	2007	2008	2009	2010	2011
Public Finances					
Total General Gov. spending £m	18,425	19,054	19,871	19,654	-
Total General Gov. revenue £m	-	-	-	-	-
General Gov. Balance £m	-	-	-	-	-
General Gov. Debt nominal £m	-	-	-	-	-
General Gov. Debt % GDP	-	-	-	-	-
Nominal earnings and Prices					
Average earnings £ per week	329.9	345.0	354.6	354.7	360.0
Average earnings % change	2.2	4.6	2.8	0.0	1.5
Average earnings % change – private sector	-	-	-	-	3.5
Average earnings % change - public sector	-	-	-	-	3.9
Inflation CPI %	-	-	-	-	-
Inflation HCPI %	-	-	-	-	-
Inequality and Poverty					
Gini coefficient	-	-	-	-	-
Quintile ratio	-	-	-	-	-
Relative poverty %	-	-	-	-	-
Consistent poverty %	-	-	-	-	-
Deprivation rate %	-	-	-	-	-

Sources: HMT Public Expenditure Analysis 2012; HMRC RTS; ONS Regional Trends; NISRA National Statistics; LFS Historical Data Series 1995-2011; LFS Quarterly Supplement; NISRA Northern Ireland Migration Flows; NISRA Annual Survey of Hours and Earnings.

Note: Where cells are blank the data are unavailable.

Appendix 7.3: Changes in Income 2010-2012: further details

In Section 4.4 we summarise trends in a number of the components of individual and household income since the 2009 SILC data was collected. This appendix includes further details on a number of the points raised in that section.

Gross income data from Revenue Commissioners

The following two tables summarise the Revenue Commissioners data on the gross income of taxable cases in 2009 and 2012. A tax case may comprise one individual or a couple who share their tax credits and bands and are assessed for tax together on their overall income. Unfortunately, Revenues' data does not distinguish between cases where there is one taxpayer and those where there are two. Consequently, for example, it is impossible to say whether a tax case with a total income of €65,000 is one individual with an income equivalent to approximately twice average earnings or two individuals whose collective income adds to €65,000. The SILC data used in section 4 is able to make this distinction between individual and household income. The 2012 data, made available to the NERI by Revenue,[14] is a Revenue projection of the gross income distribution across tax cases in 2012 using the 2009 data as a base.

The Revenue Commissioners concept of 'gross income' is notably different from the CSO and Eurostat definitions of gross income used in section 4. The Revenue concept is principally an administrative definition for the purposes of the income taxation system and does not include income which is 'not income for tax purposes or exempt from tax' including pension contributions by employees, a number of welfare payments (including child benefit, maternity benefit, jobseekers assistance), some investment incomes and income under various tax expenditures (Revenue Commissioners, 2010:2). However, despite differences in terminology and definitions, the trend in Revenue's data is informative in our assessment of the changes to the levels of income in Ireland between 2009 and 2012.

[14] This data has also been provided in parliamentary question replies by the Minister for Finance.

Table Appendix 7.3.1 Revenue Commissioners Gross Income Distribution data for 2009, by tax case

Range €	No of cases	% total	Total Income €	% total
0-10000	394,539	18.34%	1,734,780,000	2.11%
10000-15000	184,773	8.59%	2,317,690,000	2.82%
15000-20000	198,863	9.24%	3,495,390,000	4.26%
20000-30000	386,863	17.98%	9,609,170,000	11.71%
30000-40000	293,749	13.65%	10,219,750,000	12.46%
40000-50000	204,688	9.51%	9,138,750,000	11.14%
50000-60000	136,972	6.37%	7,490,220,000	9.13%
60000-75000	131,135	6.10%	8,772,150,000	10.69%
75000-100000	110,765	5.15%	9,482,340,000	11.56%
100000-200000	88,499	4.11%	11,480,420,000	13.99%
200000+	20,610	0.96%	8,310,760,000	10.13%
Total	**2,151,456**	**1.00**	**82,051,420,000**	**100%**

Source: Revenue Commissioners (2011)

Table Appendix 7.3.2 Revenue Commissioners Projected Gross Income Distribution data for 2012, by tax case

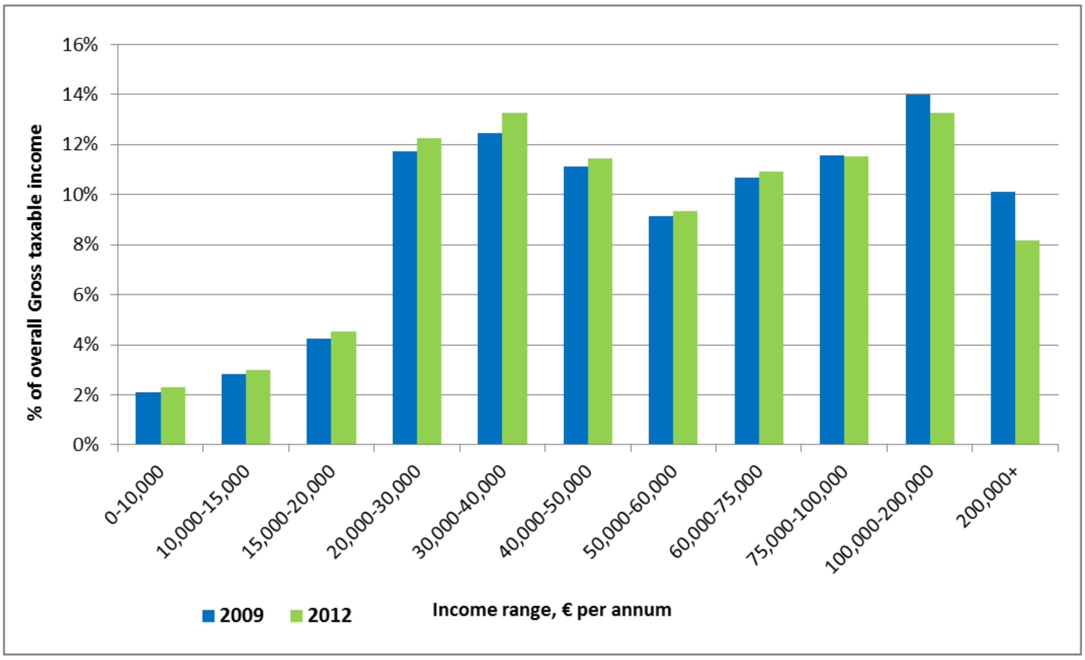
Range €	No of cases	% total	Total Income €	% total
0-10000	421,618	19.47%	1,792,884,072	2.28%
10000-15000	186,611	8.62%	2,336,322,378	2.97%
15000-20000	202,940	9.37%	3,564,617,849	4.54%
20000-30000	387,630	17.90%	9,618,318,747	12.25%
30000-40000	299,469	13.83%	10,420,093,864	13.27%
40000-50000	201,312	9.30%	8,982,220,550	11.44%
50000-60000	133,994	6.19%	7,325,020,815	9.33%
60000-75000	128,348	5.93%	8,580,169,767	10.92%
75000-100000	105,992	4.90%	9,068,714,713	11.55%
100000-200000	80,760	3.73%	10,431,980,650	13.28%
200000+	16,425	0.76%	6,424,179,961	8.18%
Total	**2,165,099**	**1.00**	**78,544,523,366**	**100%**

Source: Revenue Commissioners data and Oireachtas Parliamentary Question replies.

Table Appendix 7.3.3 Comparison of Revenue Commissioners 2009 and Projected 2012 Gross Income Distribution

Range €	Change in No of cases	Change in % total	Change in Total Income €	Change in % total
0-10000	+27,079	+1.14%	58,104,072	+0.17%
10000-15000	+1,838	+0.03%	18,632,378	+0.15%
15000-20000	+4,077	+0.13%	69,227,849	+0.28%
20000-30000	+767	-0.08%	9,148,747	+0.53%
30000-40000	+5,720	0.18%	200,343,864	+0.81%
40000-50000	-3,376	-0.22%	-156,529,450	+0.30%
50000-60000	-2,978	-0.18%	-165,199,185	+0.20%
60000-75000	-2,787	-0.17%	-191,980,233	+0.23%
75000-100000	-4,773	-0.25%	-413,625,287	-0.01%
100000-200000	-7,739	-0.38%	-1,048,439,350	-0.71%
200000+	-4,185	-0.20%	-1,886,580,039	-1.95%
Total	**+13,643**	**0.00**	**-3,506,896,634**	**0.00**

Appendix Chart 7.3.1 Distribution of tax cases by categories of Gross income, 2009 and 2012 (projected) – Revenue Commissioners.



Effective taxation rates

Effective taxation rates summarise the proportion of gross taxable income that is paid in income taxes, social insurance contributions and income levies/universal social charge. Up to Budget 2013 this data were published by the Department of Finance for three household types – single earners, couples with one income and two children and couples with two incomes and two children. Table 7.3.4 outlines the changes to effective taxation rates following the supplementary Budget of 2009 and 2012. It provides a further insight into how disposable incomes will have changed over that period.

Table Appendix 7.3.4 Change to effective tax rates for full rate PRSI earners, 2009-2012.

Gross Income	Single earner		Couple one income two children		Couple two incomes two children*	
	% change	€ change	% change	€ change	% change	€ change
€15,000	+2.7%	+€405	+2.7%	+€405	+0.0%	€0
€20,000	+3.4%	+€680	+1.6%	+€320	+1.6%	+€320
€25,000	+3.7%	+€925	+2.3%	+€575	+0.5%	+€133
€30,000	-0.1%	-€30	-0.5%	-€150	+1.7%	+€510
€40,000	+2.1%	+€840	+0.8%	+€320	+4.3%	+€1,720
€60,000	+1.7%	+€1,020	+2.2%	+€1,320	+1.3%	+€780
€100,000	+1.7%	+€1,700	+1.9%	+€1,900	+1.8%	+€1,800
€120,000	+1.6%	+€1,920	+1.9%	+€2,280	+1.7%	+€2,040

Source: Calculated from Department of Finance (2011)

Notes: Effective taxation rates measure the percentage of taxable income that is paid in income taxes, social insurance contributions and income levies/USC.

*Couple two incomes and two children assumes that joint income is divided 65%:35% between partners.

Notes

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