



# Economic Inequality in Ireland

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# Cherishing All Equally

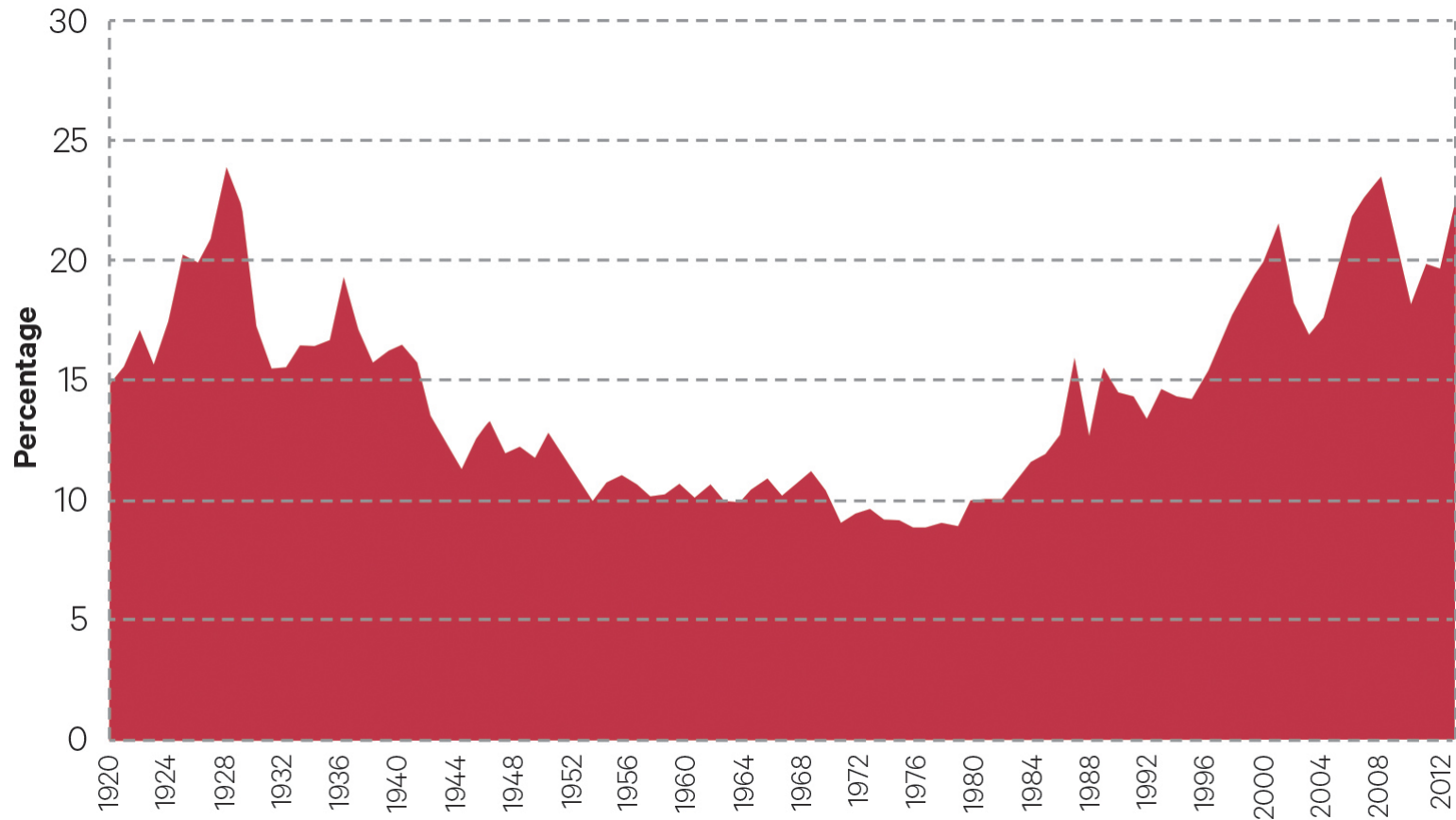
## Economic Inequality in Ireland



[www.tasc.ie](http://www.tasc.ie)



# The Problem of Income Inequality



# The Problem of (Income) Inequality

## **Social**

- Evidence that more equal societies do better on a range of social indicators:
- Health; mortality; crime, education; trust

## **Political**

- Evidence that concentration of income and wealth lead to policies that favour wealthy
- Those who are socially excluded disengage from political process

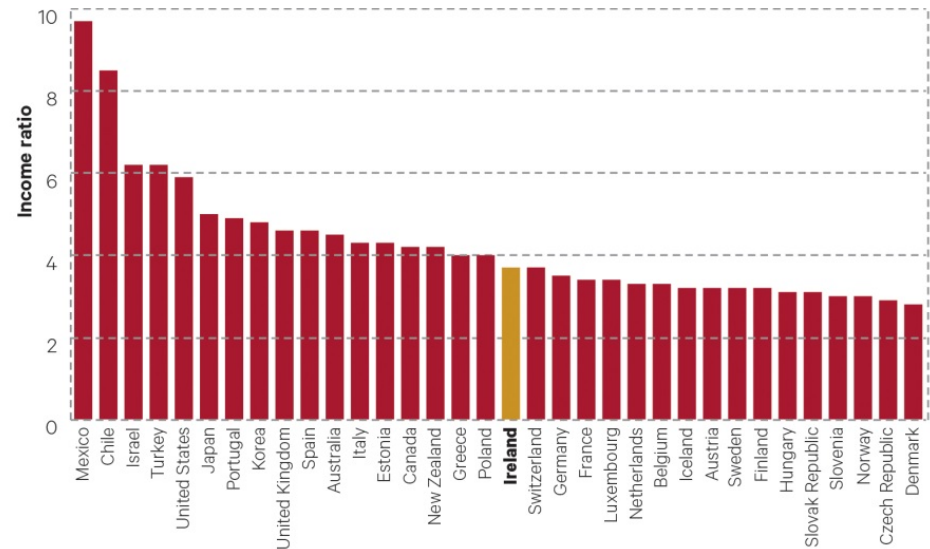
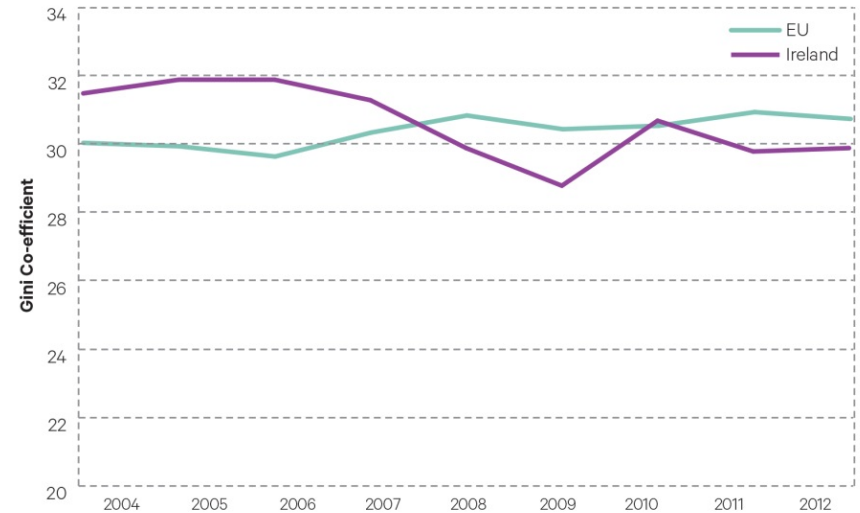
## **Economic**

- 'Trickle down' discredited
- Concentration of income and wealth part of the cause of economic collapse
- OECD/IMF/World Bank: more equal societies have stronger and more stable economies



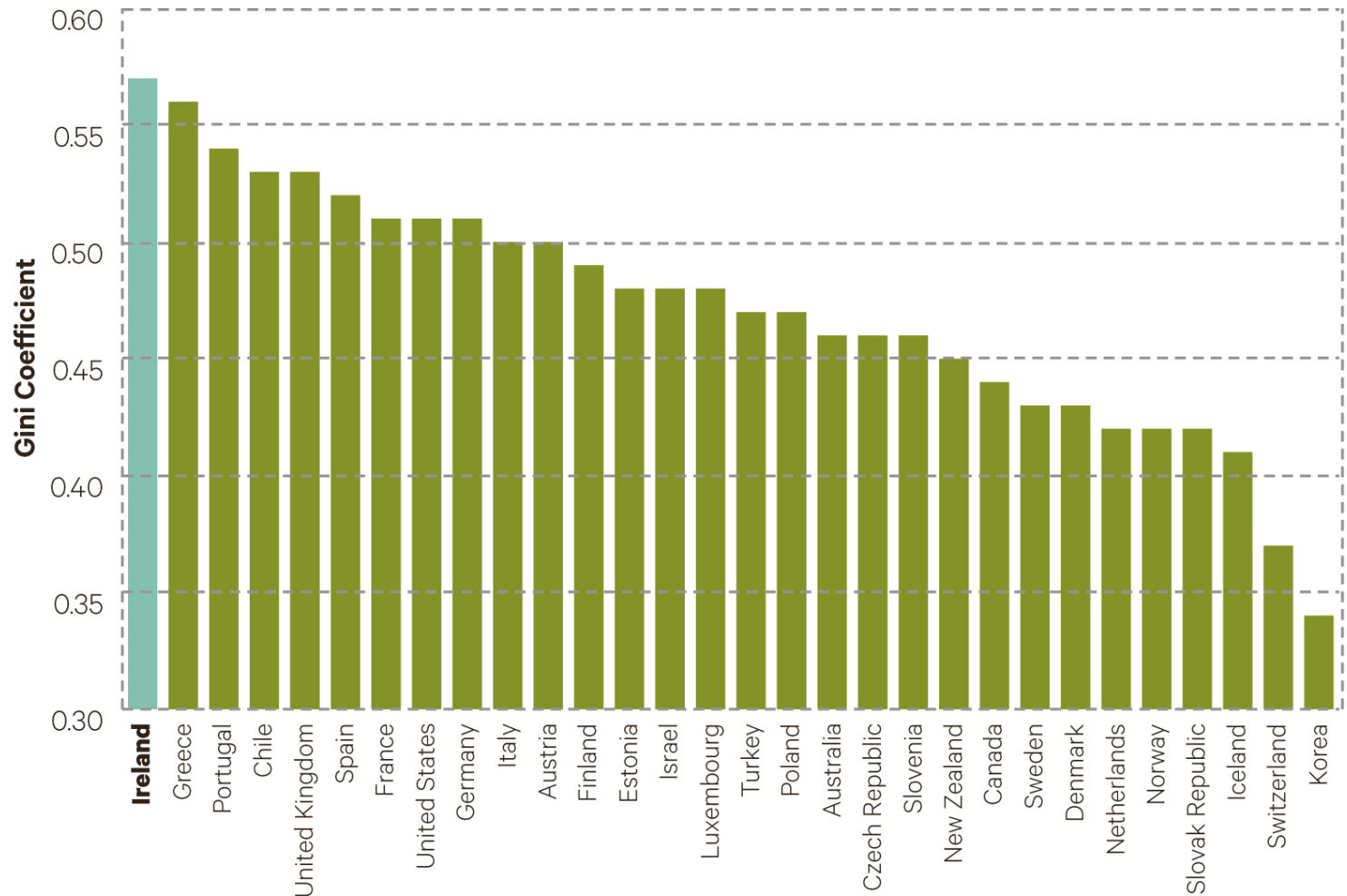
# 'Average' After-tax, After-welfare Income Inequality

End of story?



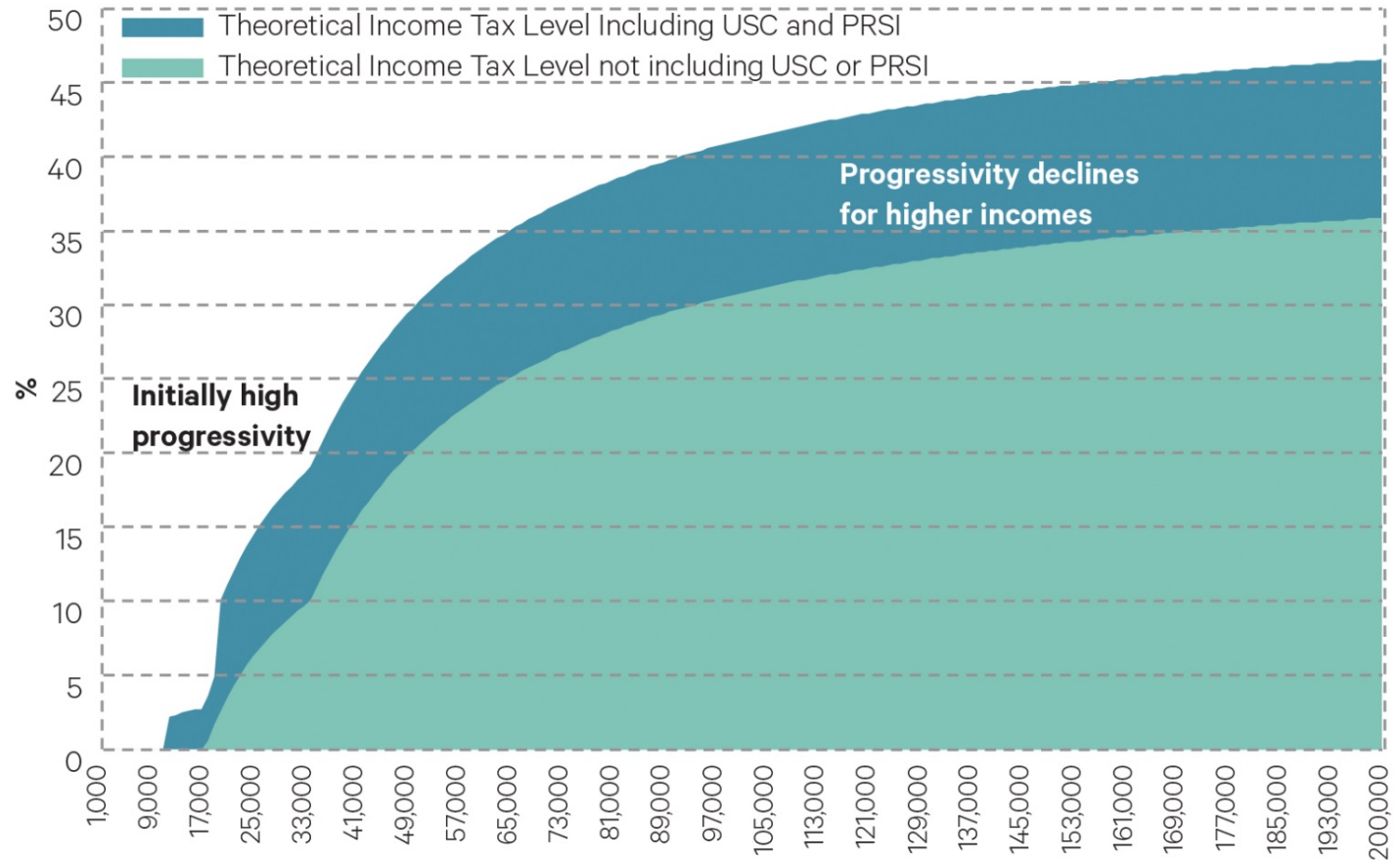
# Market Inequality

Ireland is the most unequal in the OECD



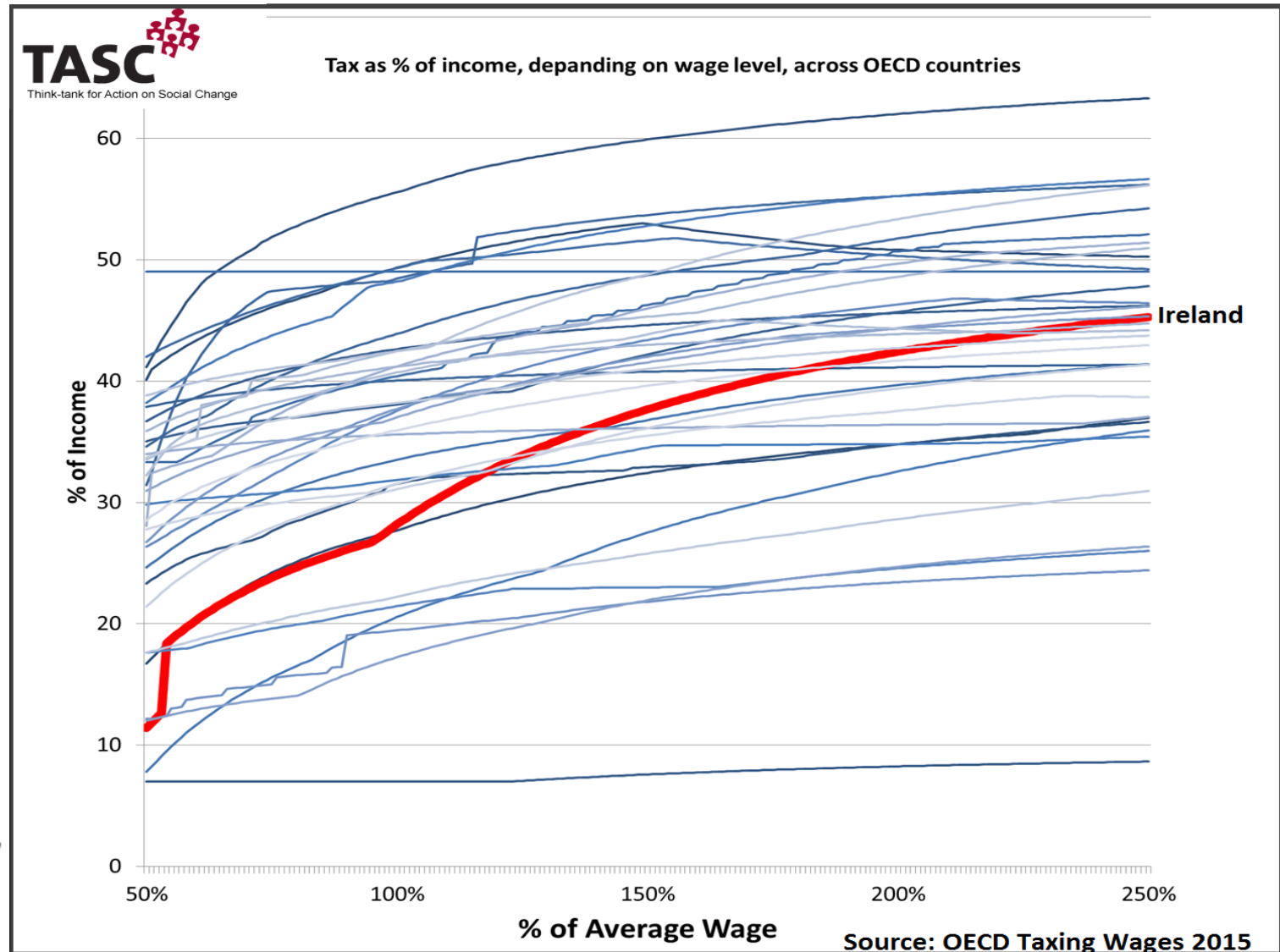
# Progressive Income Tax System

## Technical definition of 'progressive'



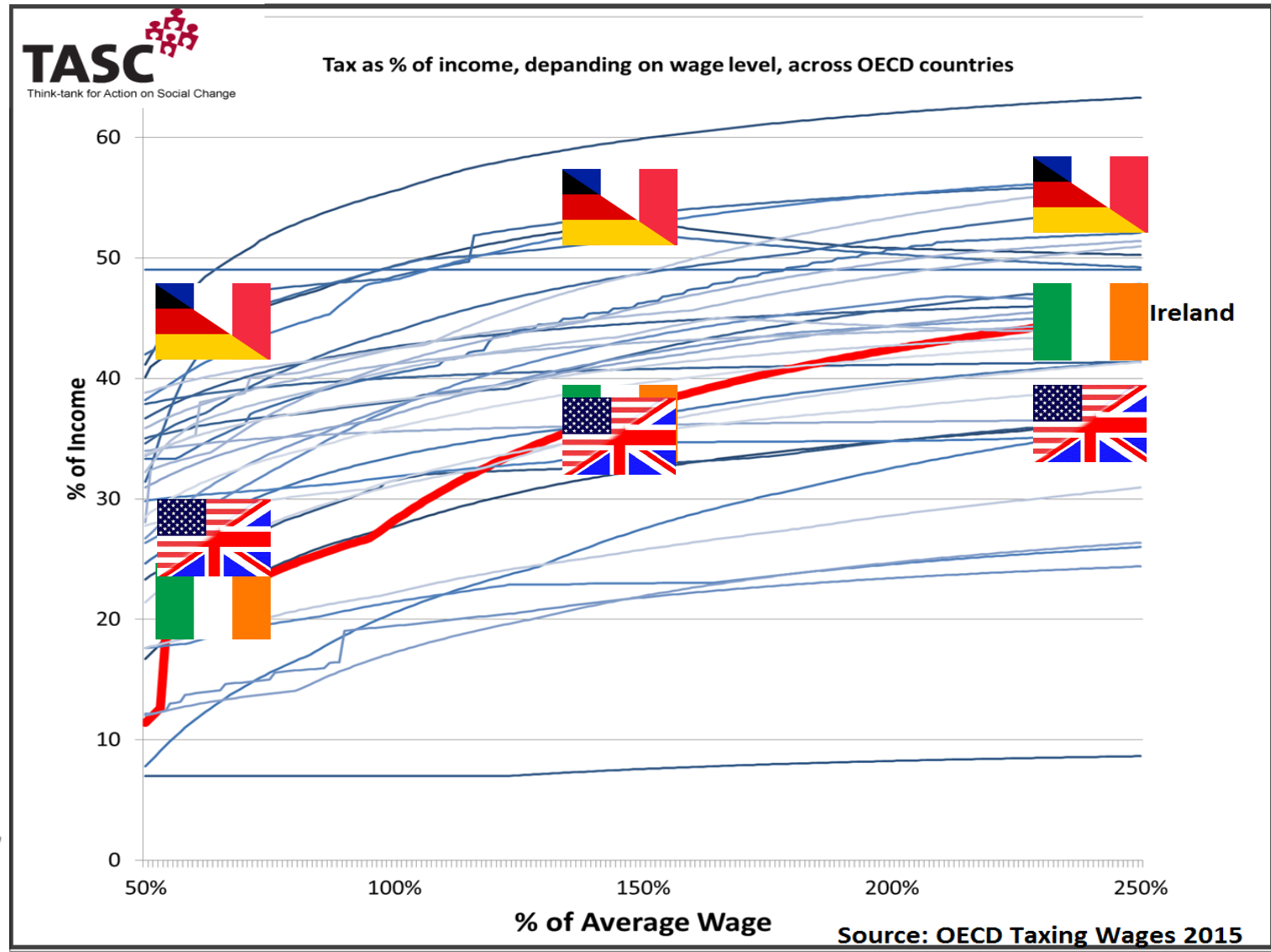
# UK-US Sphere versus Core EU

Ireland trying to have it both ways on tax?



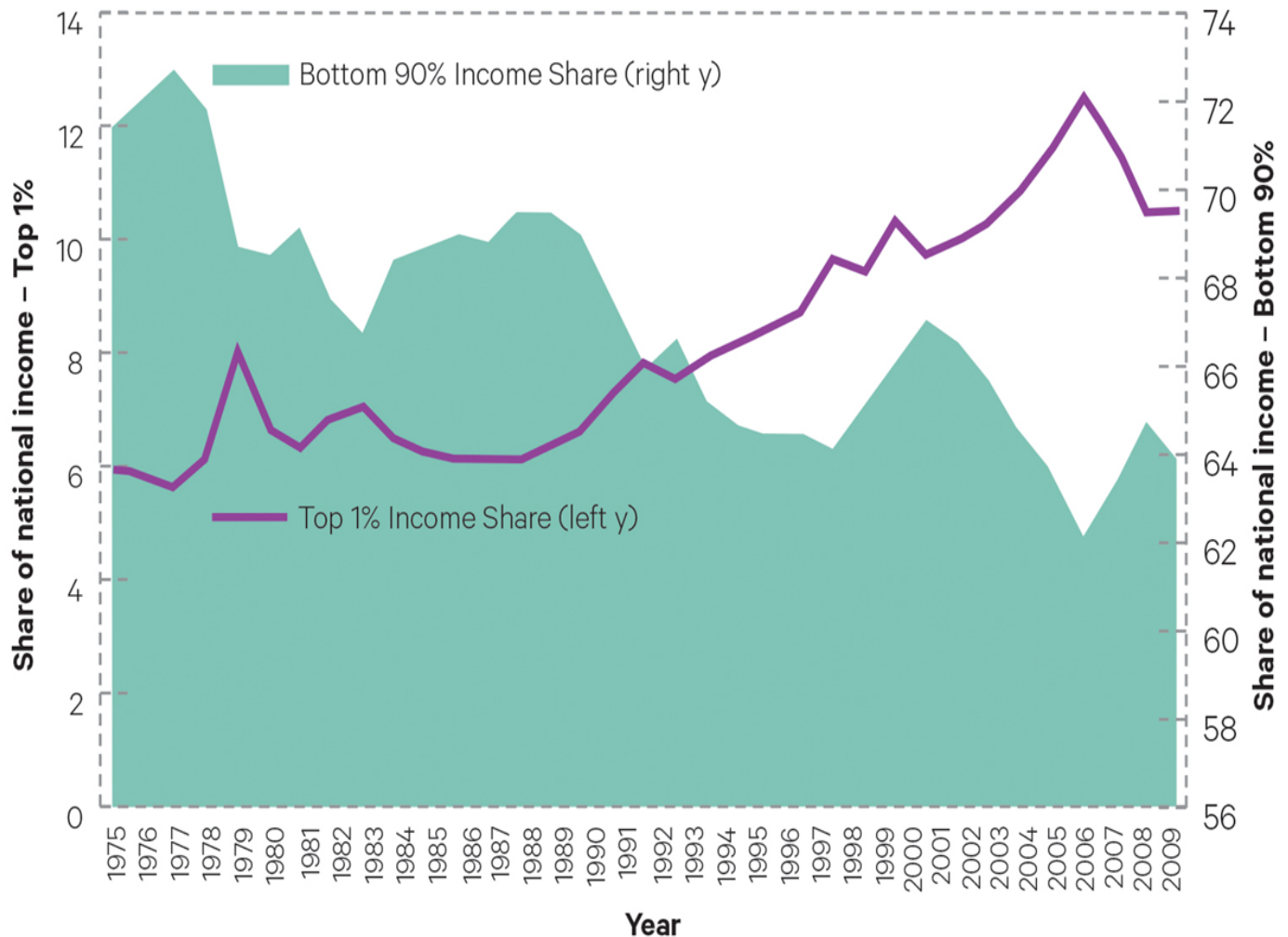
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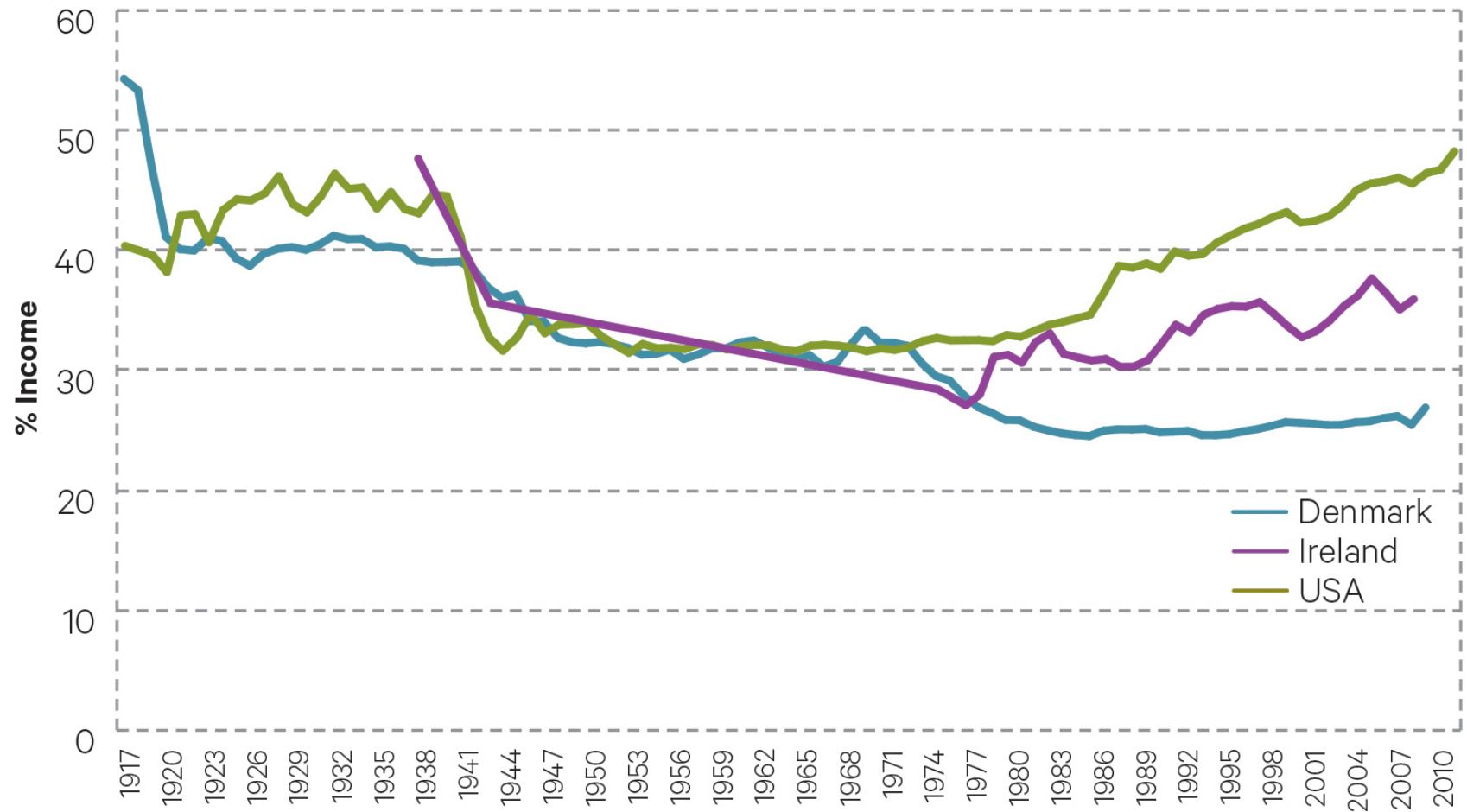


# Declining Labour Share of Income

## Combined with the Rise of the Top 10%



# Market Incomes – Different Societies



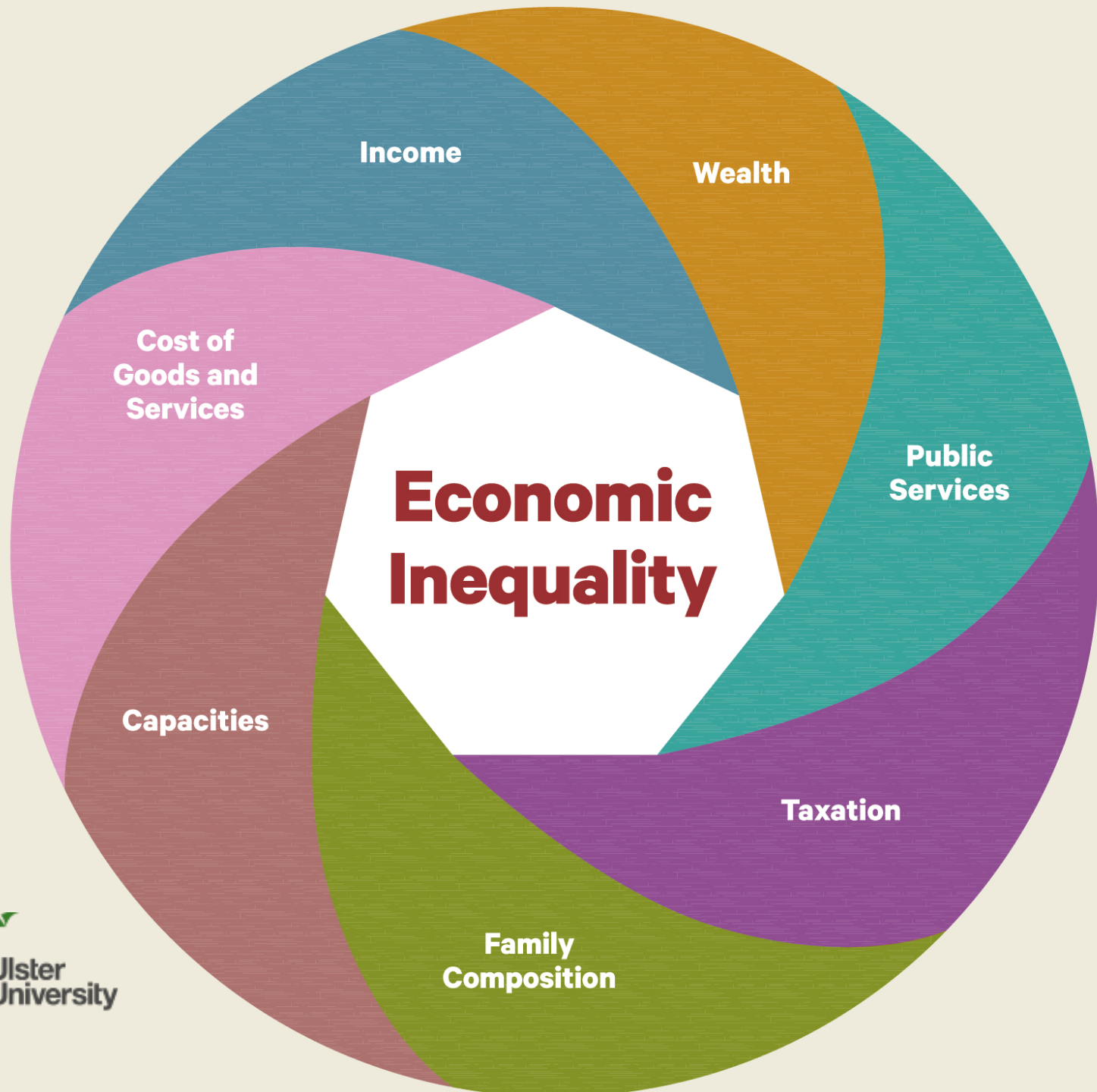


# Political Economy

## Single Dial or Multiple Indicator Dashboard?







# Net Economic Benefit

Better indicator than income or GDP/capita

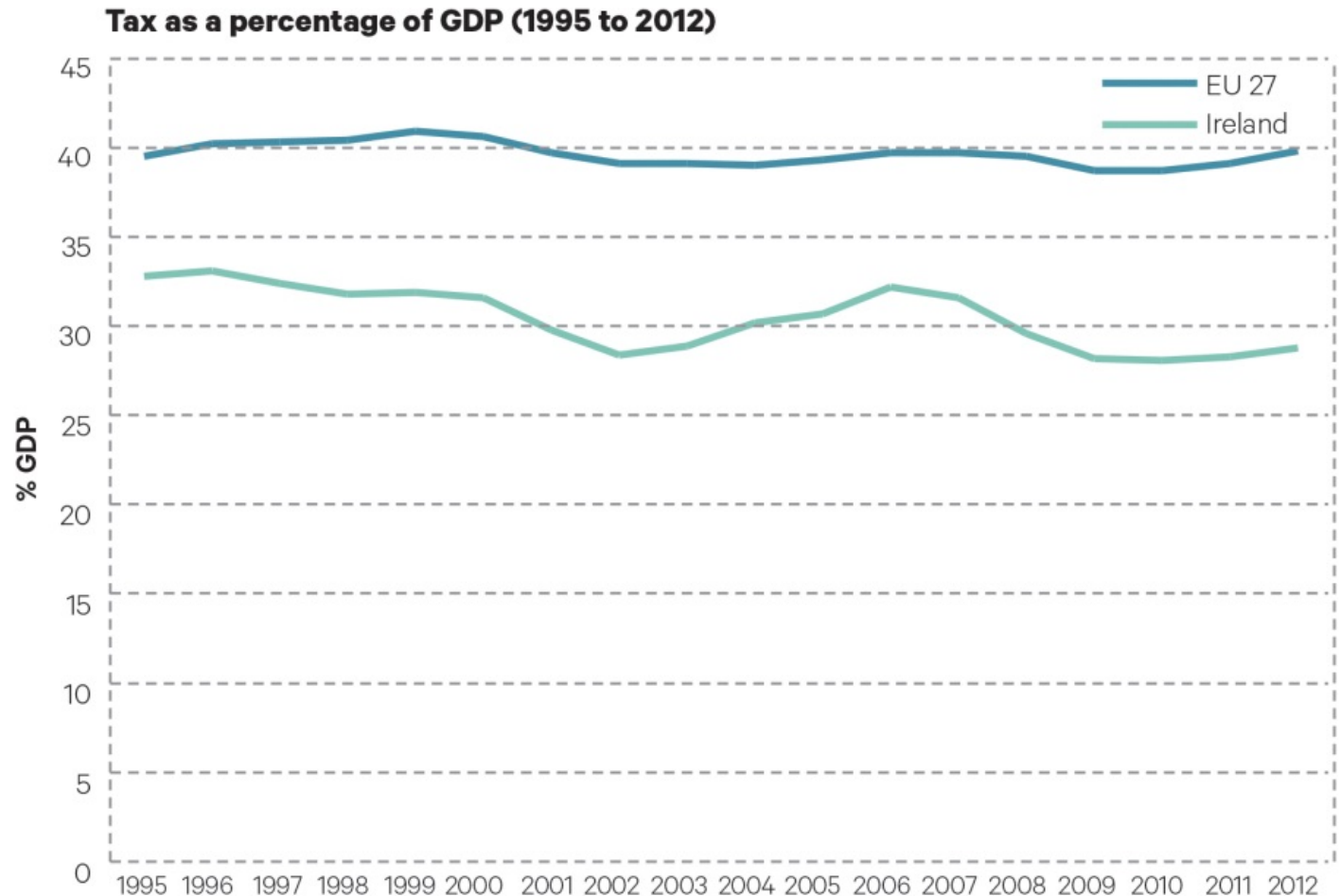
$$\begin{array}{l} (\text{Income} + \text{Wealth}) - \text{Taxation} \\ + \text{Public Services} \\ - \text{Cost of Living} \end{array} \quad \left. \vphantom{\begin{array}{l} (\text{Income} + \text{Wealth}) - \text{Taxation} \\ + \text{Public Services} \\ - \text{Cost of Living} \end{array}} \right\} \text{net economic benefit}$$

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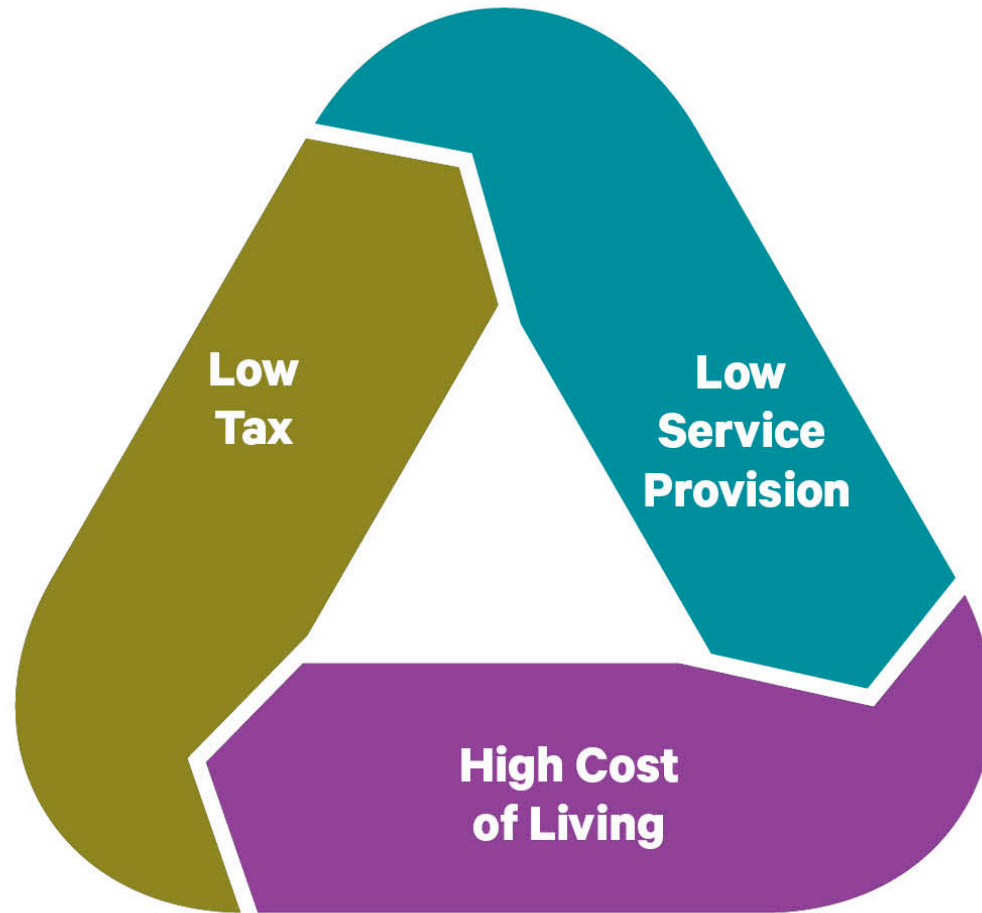
$$\begin{array}{l} \text{Family Composition} \\ + \text{Capacities} \end{array} \quad \left. \vphantom{\begin{array}{l} \text{Family Composition} \\ + \text{Capacities} \end{array}} \right\} \begin{array}{l} \text{to calculate common denominator} \\ \text{e.g. per person, per household} \end{array}$$

# Ireland is a Low Tax Economy

Thus, weaker public services are inevitable



# The 'Low Tax Triangle'



# Economic Inequality Dashboard

## Based on available data

**1. The Top 10% of income earners have 34% of gross income,** averaging €130,400 per tax case (Revenue, 2011)

**The Top 1% have 9% of gross income,** averaging €373,300 per tax case (Revenue, 2011)

**The Bottom 90% have 66% of gross income,** averaging €27,400 per tax case (Revenue, 2011)

**2. Gross income inequality in Ireland is the highest in the EU** (Gini coefficient 46.0, EU average 36.0; Eurostat 2012)

**Net income inequality in Ireland is close to the EU28 average,** demonstrating the importance of progressive taxation and social protection (Gini coefficient 29.9, EU28 average 30.4; Eurostat 2012)

**3. 65.5% (70.9% male, 60.3% female) of 20-64 year-old adults are in employment,** compared to an EU average of 68.4% (74.3% male, 62.6% female; Eurostat, 2013)

**4. 17.7% of Irish working-age households are 'jobless'** compared to an EU28 average of 11.2% (Eurostat 2013)

**5. The statutory Minimum Wage of €8.65 per hour/€17,562 per year is 76% of the Living Wage** of €11.45 per hour/€23,347 per year, both based on 39 hours/week (LivingWage.ie, 2014)

**6. Typical social protection incomes for a single person are €9,776 per year for a jobseeker or someone with a disability, €10,608 for a carer and €11,976 for a pensioner** with a full Contributory State Pension (see Section 3)

**7. The Top 10% hold an estimated 42% to 58% of Ireland's wealth, while the Bottom 50% have 12% of the wealth** (see Section 4)

**8. Public spending on health and education has an annual 'public value' of €12,191 per household,** as an indicator of the value of universal public services (see Section 5)

**9. At 28.7%, Ireland's total tax-to-GDP ratio is the sixth lowest in the EU and the second lowest in the Euro area** (after Latvia). It is three quarters of the EU average of 39.4% (Eurostat, 2012)

**10. Total social security contributions in Ireland are the second lowest in the EU at 4.4% of GDP,** and less than half of the EU average of 11.1% (Eurostat, 2012)

**11. Typical childcare fees are the second highest in the EU at 27.4% of family net income,** compared to an EU average of 11.2% (OECD, 2012)

**12. 52.6% of 30-34 year-olds have a third-level qualification** (rank 1st in EU, EU average 36%; see Section 8)

**13. 27.2% of Ireland's labour force has lower secondary education or less,** and may struggle to actively participate in social and economic life (11th lowest of 28, EU average 27.9%; Eurostat, 2013)

**14. 18.6% of those aged 15-29 are not in employment, and not in any education or training** (10th highest level in the EU, EU average 15.9%; Eurostat 2013)

**15. Cost of living in Ireland is 20% higher than the EU average** based on purchasing power parity (Cost of Living EU28 = 100.0, Ireland = 120.0; Eurostat, 2013)

**16. 968,000 adults (27%) experience at least two forms of material deprivation** (see Section 9)

# Economic Inequality Dashboard [1]

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(see Section 9)

# “Growth”

## Economic Output (GNP, GDP)

GDP growth is the quintessential single indicator approach to social and economic policy. According to this approach: policies should all converge on maximising GDP growth.

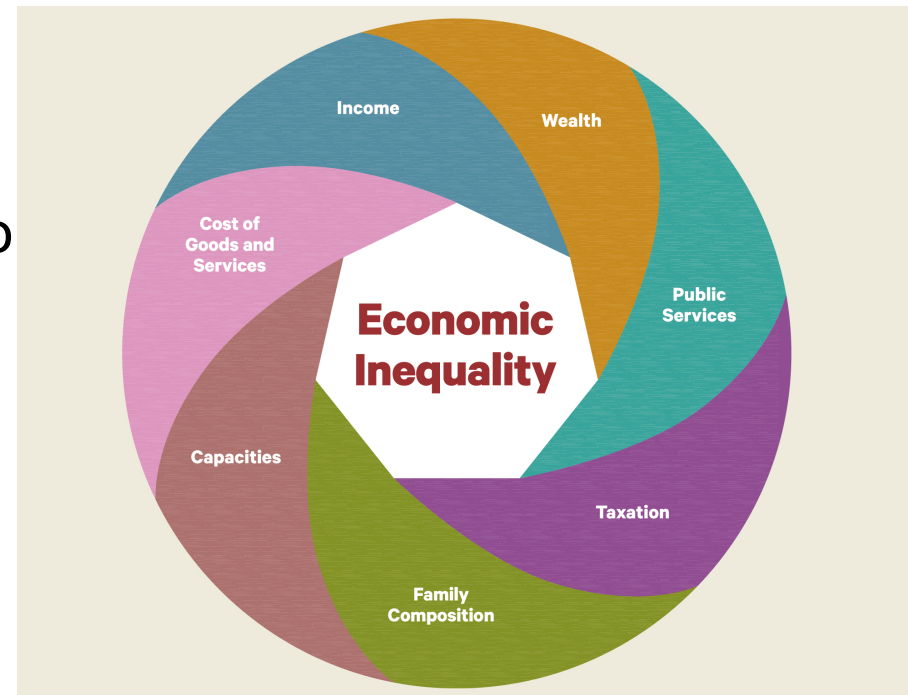
There are many advantages to GDP growth:

- Employment grows/unemployment falls (lag indicators);
- Welfare claims go down;
- Tax receipts go up;
- Social welfare and public services become easier to fund;
- Poverty falls;
- And voters find it easy to understand as a political message.

# But...

## There are many limits to GDP growth

- There is never enough growth;
- Recent growth was driven by debt;
- Much of economic output is unsustainable in terms of climate (i.e. emissions) and resource depletion;
- GDP growth does not improve all aspects of economic inequality or deprivation;
- GDP growth is increasingly associated with rising income and wealth inequality, leading to negative social and economic outcomes.



# Policy Framework

## To reduce economic inequality in Ireland

- Make reducing economic inequality a **core principle** of public policy
- Agree **quality standards** for a set of material needs that people require
- Replace the focus on economic growth with **economic development** based on meeting people's needs
- Agree the best **production models** for the goods and services society requires
- Determine the best **funding model** for each type of good or service
- **Redefine work** and rewards for work
- Ensure **income adequacy**
- Ensure democratic **oversight and accountability**, not least through better data