

Election 2020 Briefing

INCOME DISTRIBUTION



The present situation

Poverty and Income Distribution in Ireland

- High rates of poverty and income inequality have been the norm in Irish society for some time.
- Ireland has one of the most unequal distributions of market income in the European Union. We rely heavily on our tax and social welfare systems to produce a more equal society.
- The poverty line is measured as 60 per cent of the median disposable income in society. In 2018 – the latest year for which we have data – this was €13,723 per year, or around €264 per week. Anyone living below this threshold is considered at risk of poverty.
- The at-risk-of-poverty rate in Ireland is 14 per cent. Without the tax and social welfare systems, that rate would be 40.9 per cent. Such an underlying poverty rate suggests a deeply unequal distribution of market income.
- Of the approximately 680,000 people living in poverty in Ireland, around 200,000 are children.
- In the last decade, the poverty rates for single person households have risen notably, while they have fallen (or remained more-or-less static) for other household types. This is true for both people of working age, and for those over 65.
- In 2018, the top 10 per cent of the population received almost one quarter of total income while the bottom decile received just 3.6 per cent. Collectively, the poorest 60 per cent of households received the same share as the top 20 per cent. Overall the share of the top 10 per cent is more than 6 times the share of the bottom 10 per cent.

Problems with Social Welfare

The poverty line in Ireland was €264 in 2018. What is immediately apparent is that all core weekly social welfare payments are well below this level.

In 2020, the State Pension (Contributory) will be €248.30 per week, while Jobseeker's payments and

other similar payments are €203 per week. Given that wage increases have continued in the economy since 2018, the gap between core welfare rates and the poverty line will have increased even further.

- In Budget 2020, core social welfare rates were ignored. Due to increasing wages over the last few years, it is almost inevitable that poverty rates will increase as a result of this decision.

At times in the past when social welfare rates have been allowed to fall behind improvements elsewhere in the economy and society, the result has always been an increase in the numbers of vulnerable people being left behind.

- At present the welfare system provides a basic payment for each claimant – e.g. a pension, a disability payment or a jobseeker's payment – and pays an additional payment of about two-thirds the basic payment for dependents.

This system is unfair and inequitable. *Social Justice Ireland* also believes that the system as currently structured is not compatible with the Equal Status Acts. People, more often than not women, are disadvantaged by living as part of a household unit because they receive a lower income.

The Working Poor

- There is an unacceptably high instance of low paid employment in Ireland. 110,000 people live below the poverty line despite having a job. 200,000 people at work are experiencing enforced deprivation.
- 1 in 10 workers in Ireland earns the National Minimum Wage (NMW) or less, and approximately one quarter earn below the Living Wage – the rate a single person working full-time must earn to achieve a minimum socially acceptable standard of living.
- Ireland has one of the highest rates of low-paid employment in the OECD; almost 6 times the rate of Belgium, which is the best performer, and 2nd highest behind only the United States.

What is the purpose of policy in this area?

Policy should aim to provide everyone with sufficient income to live life with dignity.

This would require enough income to provide a minimum floor of social and economic resources in such a way as to ensure that no person in Ireland falls below the threshold of social provision necessary to enable him or her to participate in activities that are considered the norm for society generally.

Things a new Government can do

Acknowledgement of the problem

- Government must acknowledge that Ireland has an on-going poverty problem, and adopt ambitious targets aimed at reducing poverty among particularly vulnerable groups such as children, lone parents, and jobless households.
- Policymaking would be improved by an acceptance that persistent poverty – a measure of those in poverty in a given year, as well as in two of the previous three years – should be used as the primary indicator of poverty measurement. Sufficient resources should be provided to the CSO to assist in the collection of this data.

Social Welfare

- Government should ensure that core social welfare rates keep pace with changes in the economy and elsewhere in society. Welfare rates should be benchmarked to 27.5 per cent of average weekly earnings. This is the modern equivalent of the previous benchmark of 30 per cent of Gross Average Industrial Earnings.
- There should be increased equity of social welfare rates, and less reliance on Qualified Adult payments.
- Policy should ensure that payments for children are adequate, in order to address child poverty.

Employment

- We welcome the recent decision to implement the previously postponed increase in the NMW. The rate is now €10.10 per hour.

However, this is still well below the rate of the Living Wage, currently €12.30 per hour. Government should set a five-year timeframe to equalise the NMW and the Living Wage.

- Policy should seek at all times to ensure that new jobs have reasonable pay rates, and the labour inspectorate should be adequately resourced.
- Income Tax Credits should be made refundable as part of the process of addressing the working poor and making the tax system fairer.
- Government should seek to remove unemployment and poverty traps by integrating income tax, welfare and employment policies.

Social Inclusion

- Government should introduce a cost of disability payment in acknowledgement of the fact that having a disability often automatically leads to a higher cost of living. People with a disability are disproportionately at risk of experiencing poverty and social exclusion.
- The next Government must recognise the reality of poverty among migrants and adopt policies to assist this group. In addressing this issue it should replace Direct Provision with a fairer system that ensures adequate allowances are paid to asylum seekers.

Basic Income

- A system of Basic Income would represent a social welfare system fit for a 21st century economy and society. It would also be the most efficient system for ensuring that everyone in society has sufficient income to live life with dignity.
- Basic Income would also reward all contributions to society, while offering flexibility and eliminating unemployment traps.
- The next Government should set up a Working Group on the subject and develop a real Basic Income pilot.