

# INCOME INEQUALITY & POVERTY:

## *A FIFTY-YEAR VIEW*



**UCC**

University College Cork, Ireland  
Coláiste na hOllscoile Corcaigh

**Dr Micheál Collins**  
School of Social Policy,  
Social Work & Social Justice, UCD

**Dr Catherine Kavanagh**  
School of Economics,  
UCC

**CONFERENCE TO MARK THE RETIREMENT OF SEAN HEALY &  
BRIGID REYNOLDS**

**DUBLIN, 31<sup>ST</sup> JANUARY 2024**

# OVERVIEW

1. Introduction: a Fifty-Year Perspective
2. The Data
3. Income Distribution & Inequality
4. Poverty
5. Poverty Today: *'Around the Poverty Line'*
6. Some Reflections and Looking Forward

# 1. INTRODUCTION: A FIFTY-YEAR PERSPECTIVE

- Timely and welcome opportunity to look back
  - and a little forwards...
- Looking at the area that has dominated much of the work that Brigid and Seán have undertaken over the past few decades
  - Those with the least in Irish society
    - Those at the bottom of the income distribution
    - Those living in poverty
- What has changed? / What has not changed?
- The role and context for social justice advocacy

# 1. INTRODUCTION: A FIFTY-YEAR PERSPECTIVE

- **50 years:**
  - 1973: first national Household Budget Survey by the CSO
  - Insights into income and living standards – a by-product of the data
    - not the first (see later)
    - but, the start of robust and recurring empirical evidence on poverty, inequality and living standards
  - Also opening the door for policy analysis
    - what to do?
    - who to target?
    - effectiveness of changes (good or bad)

# 1. INTRODUCTION: A FIFTY-YEAR PERSPECTIVE

- Ireland has changed a lot over that time:
  - Population
    - 1973: 3,073,000
    - 2023: 5,281,600
  - Household disposable income
    - 1973: £36.28 (€46.07)
    - 2022: €1,083
  - And so much more....
  - A poor county became rich!
    - Important context for being a voice for those with the least

## 2. THE DATA

### ■ Drawing on the available data sources:

- 1973: Household Budget Survey - CSO
- 1980, 1987, 1994/95, 2000/01: Household Budget Survey - CSO
- 1987: Survey of Income Distribution, Poverty and Usage of State Services - ESRI (for NESC)
- 1994-2001: Living in Ireland Survey - ESRI
- 2003-2022 & ongoing: Survey on Income and Living Conditions (SILC) - CSO

### ■ Challenges:

- knitting the data together...
- availability, different methods, different measurement approaches,...

## 2. THE DATA

- **Lots of useful studies and reports along the way – drawing on many here:**
  - Donal Murphy (CSO) to SSISI in 1974 and 1984
  - CSO reports on redistribution based on HBS data (80s and 90s)
  - Nolan – at Central Bank and ESRI (1981 onwards)
  - Rottman and Reidy (1988)
  - Callan, Whelan and others at the ESRI who worked on the LIS – various reports
  - Recent ESRI and Community Foundation of Ireland work on income and poverty (1987 onwards)
  - CSO SILC reports, database and microdata from 2003 onwards
- **Focus here on Disposable Income**
  - Income after earnings and welfare transfers less income taxes
  - So, what household/individuals have to spend

## 3. INCOME DISTRIBUTION & INEQUALITY

- **The income pie has grown over time**
- **But, what of its distribution?**
  - fairer, more unequal, not much change?
- **Households and their income**
  - were the first focus of the data as it emerged
  - evolved to look at both households and individuals
  - looking at the share of the top 20% and the bottom 20%



**Table 1: Distribution of Total Household Disposable Income, 1973-2022 (selected years)**

<b>Year</b>	<b>1973</b>	<b>1987</b>	<b>1994/95</b>	<b>2005</b>	<b>2020</b>	<b>2022</b>
<b>Bottom</b>	1.7	2.3	2.2	2.2	2.3	2.2
<b>2nd</b>	3.3	3.7	3.5	3.2	3.6	3.5
<b>3rd</b>	5.0	5.1	4.7	4.5	5.0	5.0
<b>4th</b>	6.5	6.4	6.2	5.7	6.3	6.3
<b>5th</b>	7.8	7.7	7.6	7.3	7.6	7.6
<b>6th</b>	9.2	9.2	9.4	9.1	9.0	9.2
<b>7th</b>	10.9	11.2	11.4	11.0	10.8	10.9
<b>8th</b>	13.0	13.4	13.6	13.2	12.7	12.9
<b>9th</b>	16.2	16.5	16.7	16.3	15.6	15.8
<b>Top</b>	26.4	24.5	24.7	27.4	27.0	26.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source:

NESC / R&R

CSO HBS

CSO HBS

CSO SILC

CSO SILC

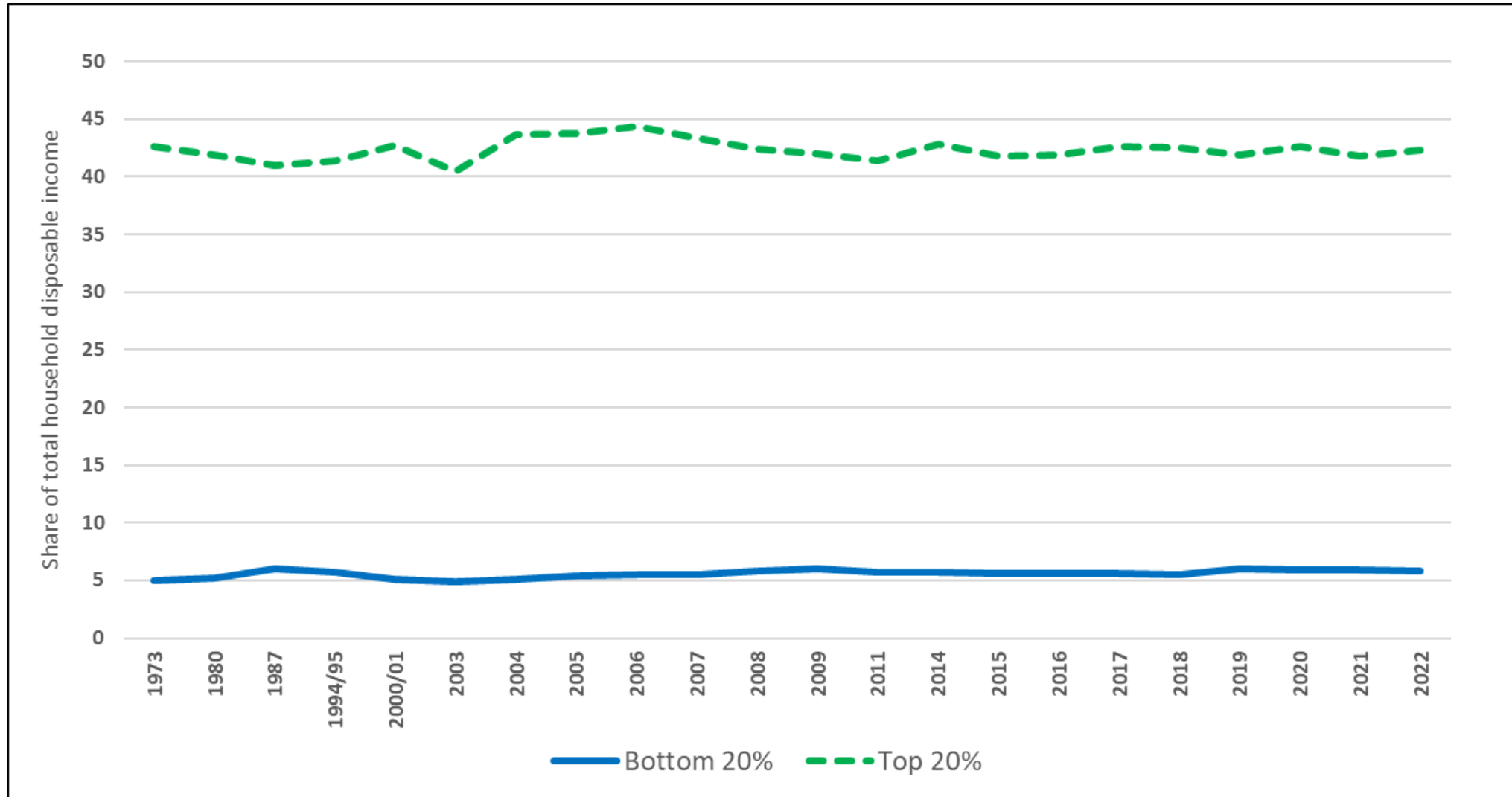
CSO SILC

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Source:                    NESC / R&R                    CSO HBS                    CSO HBS                    CSO SILC                    CSO SILC                    CSO SILC

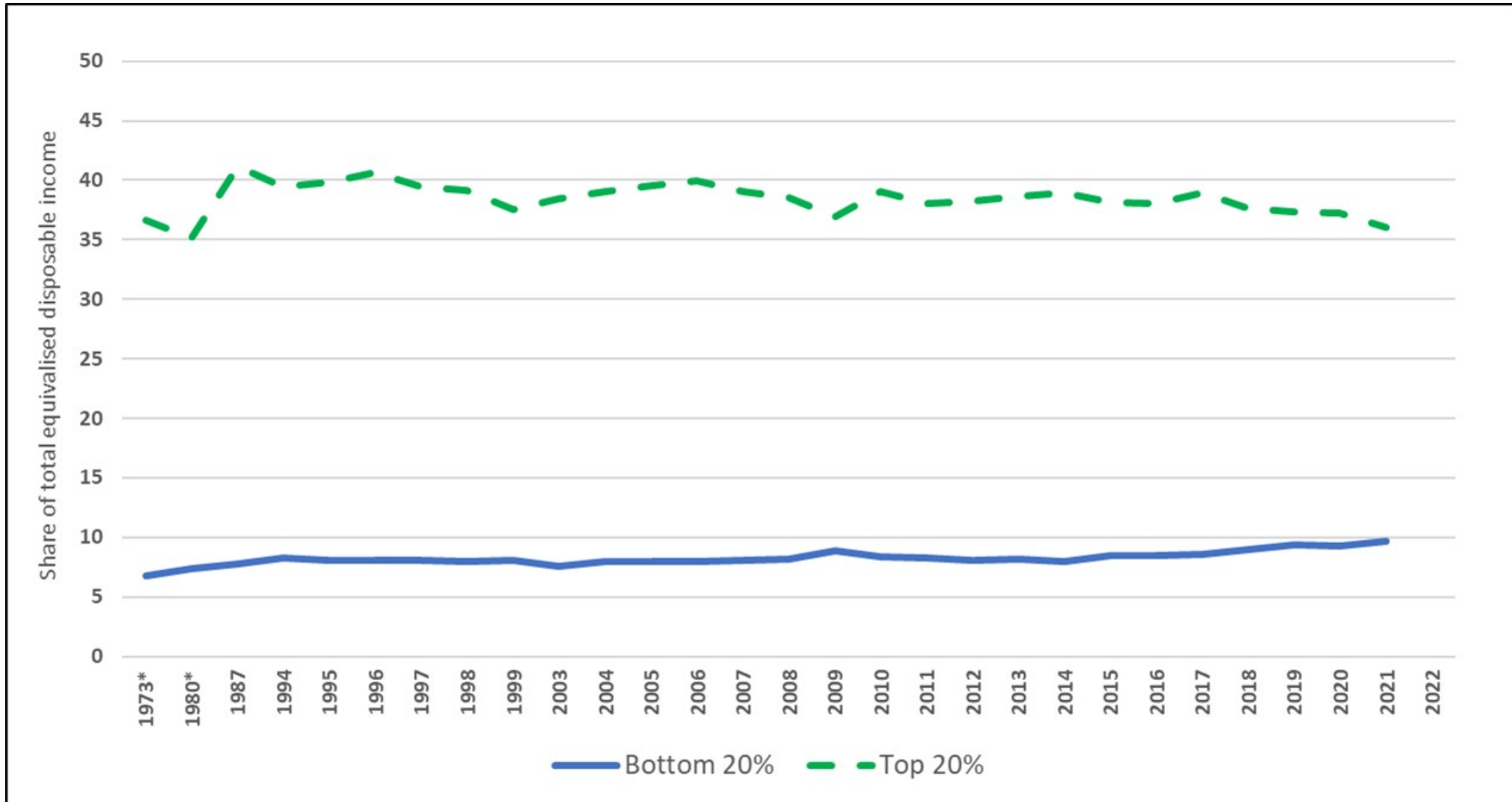
**Figure 1: Share of Total Household Disposable Income going to the top and bottom 20% of households, 1973-2022**



## 3. INCOME DISTRIBUTION & INEQUALITY

- **Adjusting this for household size and composition – an individual income perspective**
  - Equivalisation
    - A debate since O’Cinneide in 1972
  - New literature at the time...various approaches
  - Here:
    - Rottman & Reidy (1988) / Murphy (1984): UK influenced and based on rural SW payments and the age of children
    - ESRI/CFI (2021): OECD modified equivalence scale

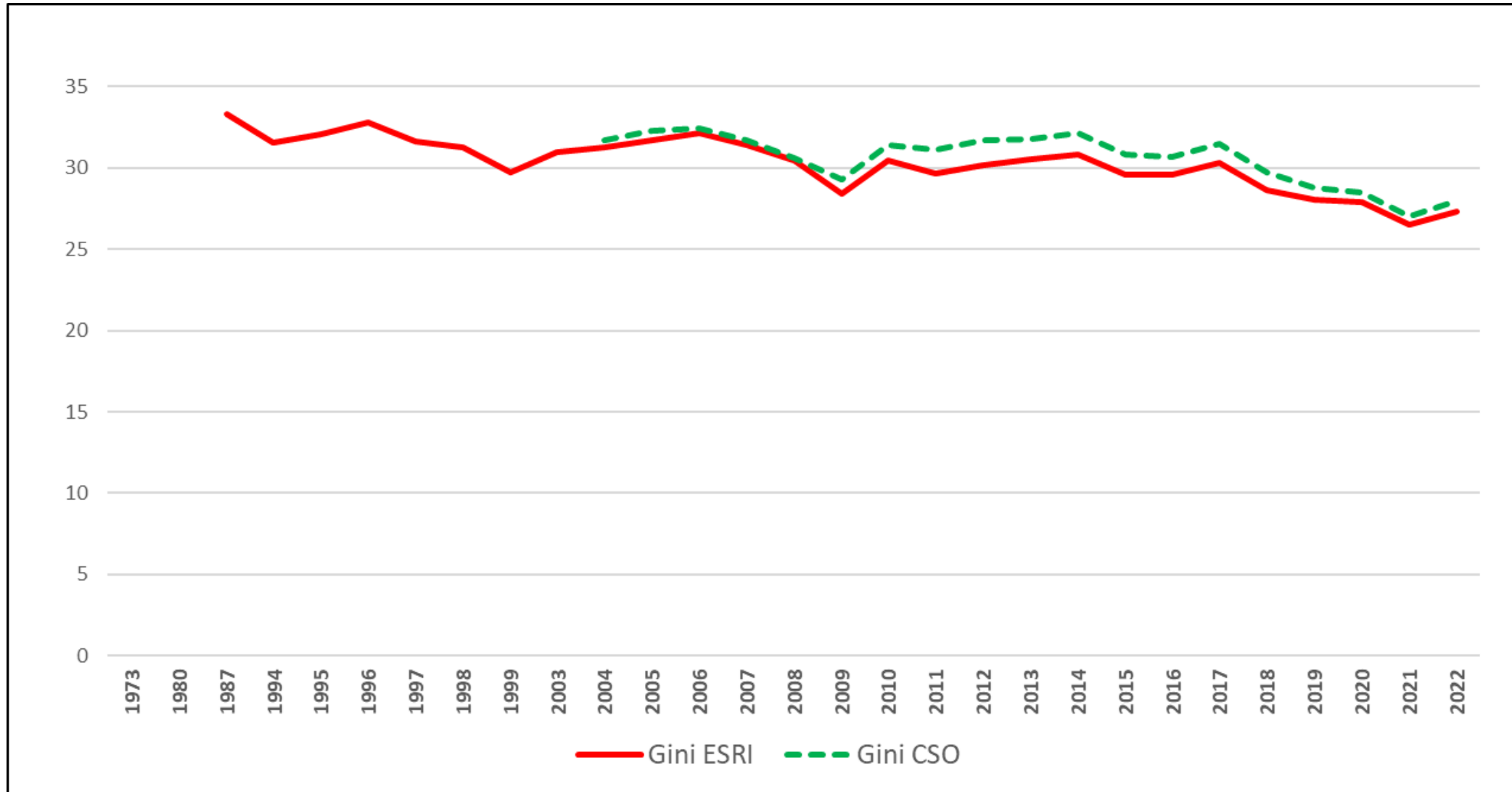
**Figure 2: Share of Total Equivalised Disposable Income going to the top and bottom 20% of households, 1973-2022**



# 3. INCOME DISTRIBUTION & INEQUALITY

- **Tracking inequality of the income distribution**
  - Gini Coefficient
  - 0-100
  - *The higher the number the greater the level of inequality*
  - So, can track level and trend over time
  - Two sources with slightly different measurement approaches:
    - ESRI/CFI – OECD modified equivalence scale
    - CSO – national equivalence scale

Figure 3: Income Inequality in Ireland, 1987-2022



## 4. POVERTY

- **Emerging/Re-emerging in 1973**
- **New survey data allowed assessments**
- **Literature and methodological debate around:**
  - setting a poverty line: relative or absolute?
  - adjusting household income data so the living standards of individuals in different households can be compared (equivalisation)
  - relative income poverty line as a % of mean or median income



Table 3.1: Main Features of Studies Quantifying the Extent of Poverty in Ireland

Study	Year to which Results Refer	Main Data Source	Income Concept	Income Recipient Unit	Estimated Equivalence Scales	Poverty Line	Percentage Poor
O Cinneide (1972)	1971	Administrative data	Gross	Individual/family	ad hoc (based partly on UK Supp. Ben. rates)	ad hoc	24% of population
O Cinneide (1980)	1975	Administrative data	Gross	Individual/family	Derived from EEC Attitude Survey	1971 line updated, + 50%	27% of population
Roche, in Joyce & McCashin (1982)	1973	HBS	Disposable (net of some rent)	Household	UA implicit scales	(A) UA (B) UA + 20% (C) UA + 40%	(A) 10% (B) 15% (C) 23% } of households
Fitzgerald (1981)	1973	HBS, administrative statistics	Disposable	Household	Based on UK Studies	Equivalent to contr. old age pension rate for couple	30% of households; (20% below ¾ of this income)
Rottman, Hannan, et al., (1982)	1973	HBS	Disposable	Household	UB implicit scales	Principally UB UB + 20%	7% at or below UB 20% at or below UB + 40%
Roche (1984)	1980	HBS	Disposable (net of some rent)	Household	UA implicit scales	(A) 1973 UA, adjusted for increase in CPI and GNP to 1980, (B) this plus 20% and (C) plus 40%	(A) 4% (B) 7% (C) 12% } of households

Callan et al  
*Poverty, Income and Welfare in Ireland (1989: 32)*

## 4. POVERTY

### ■ Got to:

- National equivalisation scale:
  - O'Connell (1971) Roche (1982, 1984) Callan et al (1989) ...
- 50% of mean equivalised disposable income (to early 2000s)
- Became 60% of median equivalised disposable income (from early 2000s)

### ■ Looking at trends since 1973:

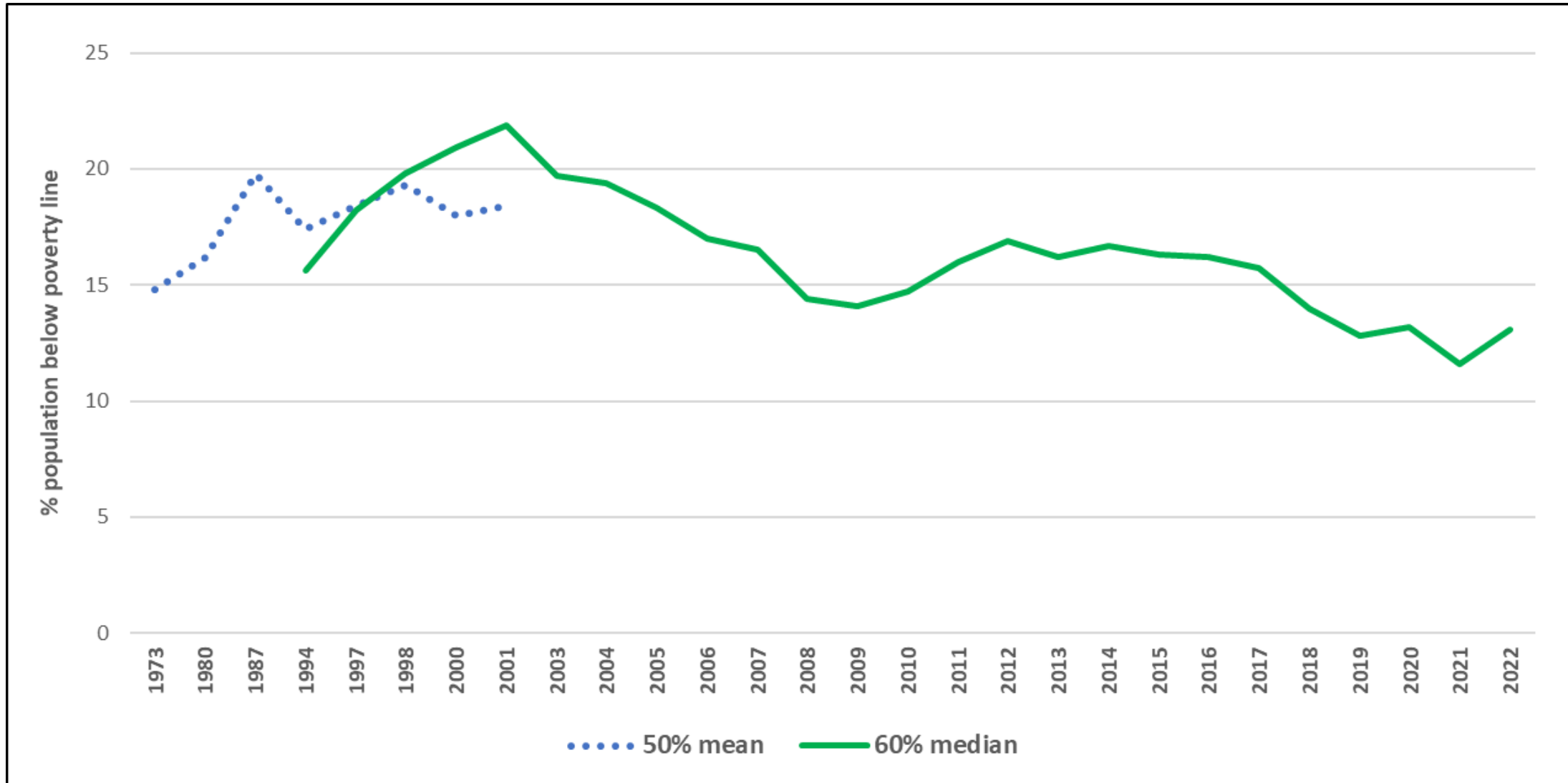
- 50% mean line:
  - Callan et al (1989): 1973-1987
  - Whelan et al (2003): 1994-2001
- 60% median line:
  - Whelan et al (2003): 1994-2001
  - CSO SILC: 2003-2022

## 4. POVERTY

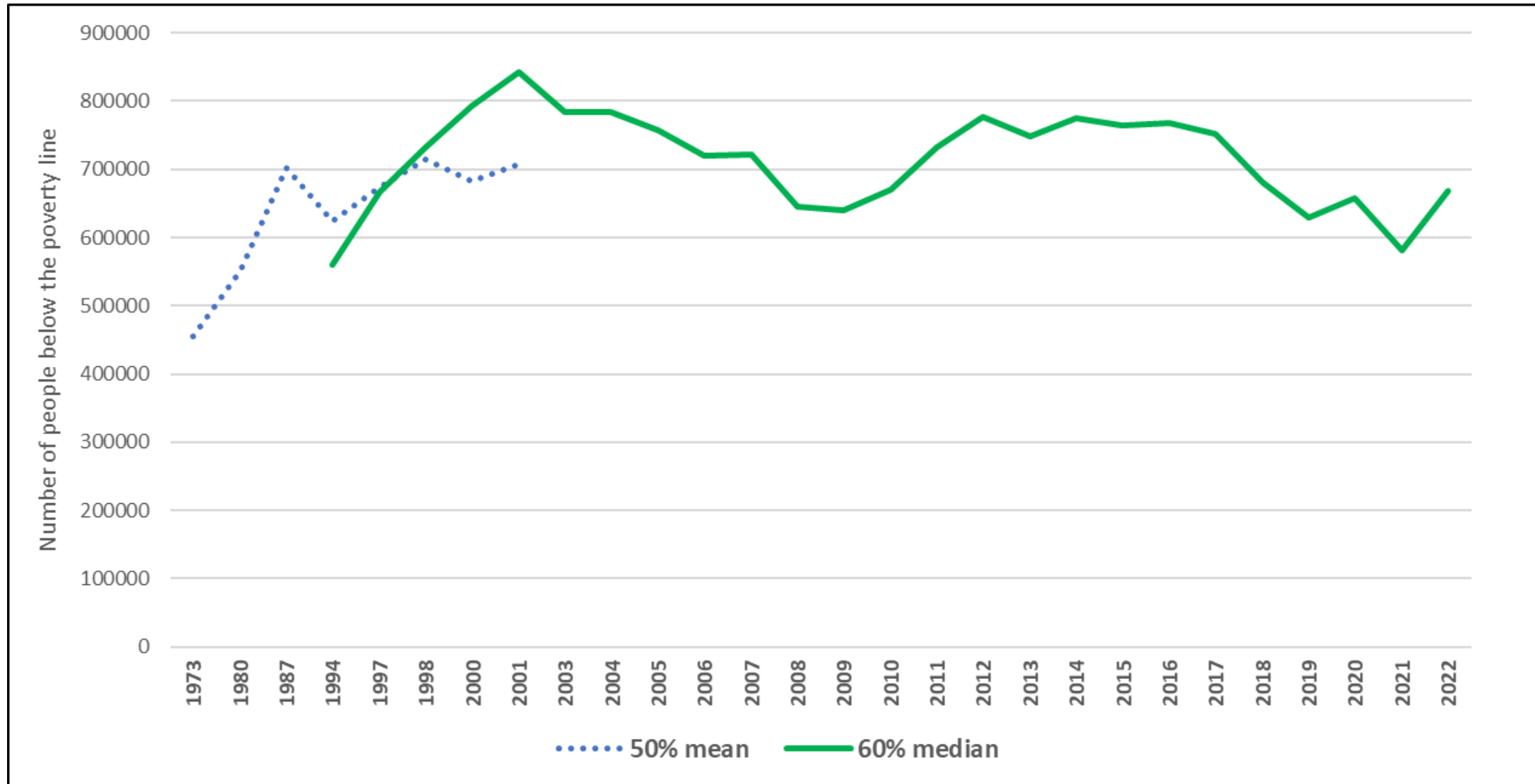
### ■ Waves of poverty

- Between 13% and 20% of the population; but downward trajectory
- Simply:
  - Poverty rises as economy strengthens...employment and wage growth...income tax reductions
  - Welfare dependent household slip behind
  - Period of welfare catch-up...driven by those campaigning for it...and social solidarity of Irish society
  - Poverty falls back
  - The cycle repeats

Figure 4: Relative Income Poverty in Ireland, 1973-2022



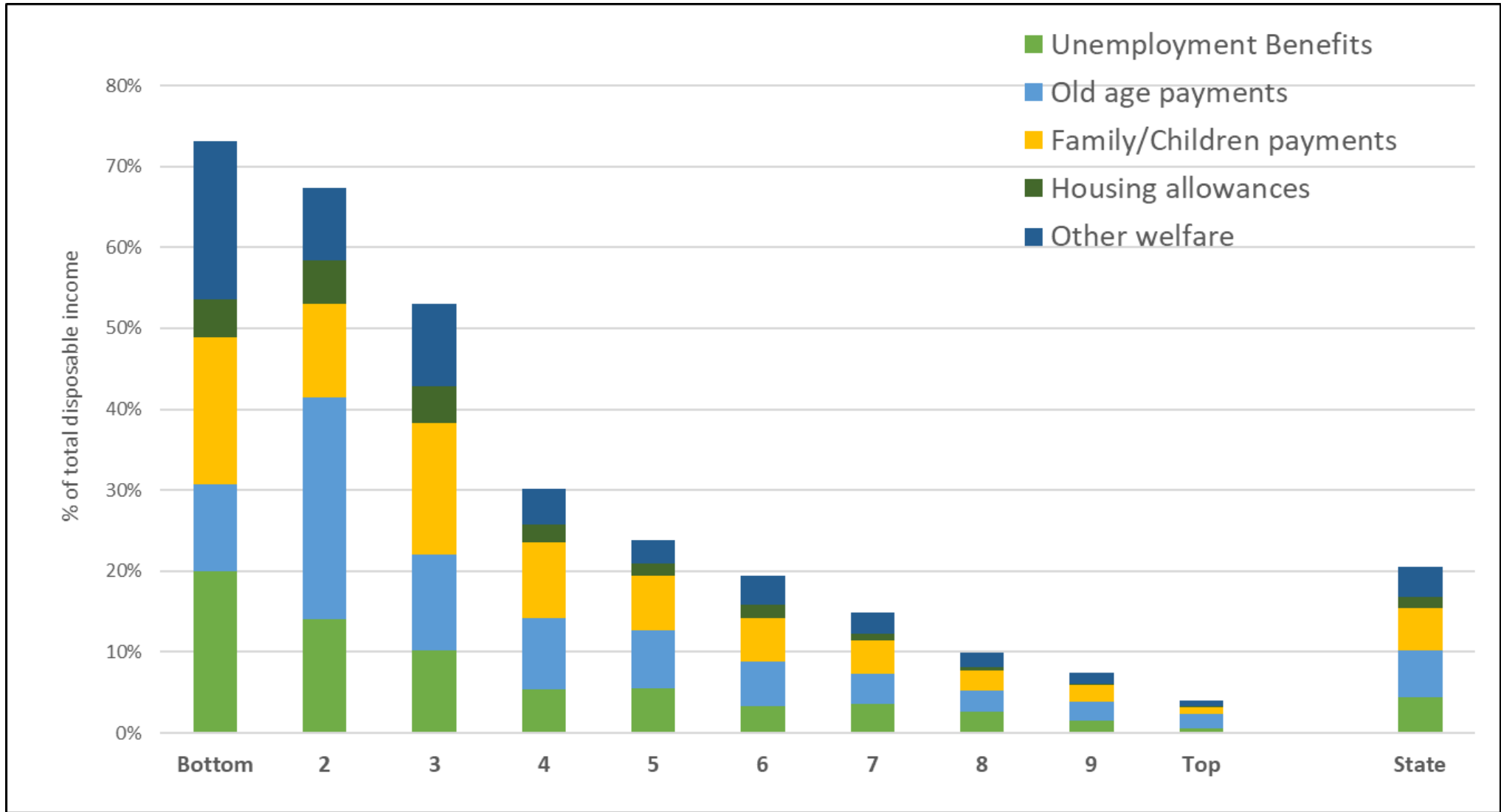
**Figure 5: Relative Income Poverty Headcount, Ireland 1973-2022**



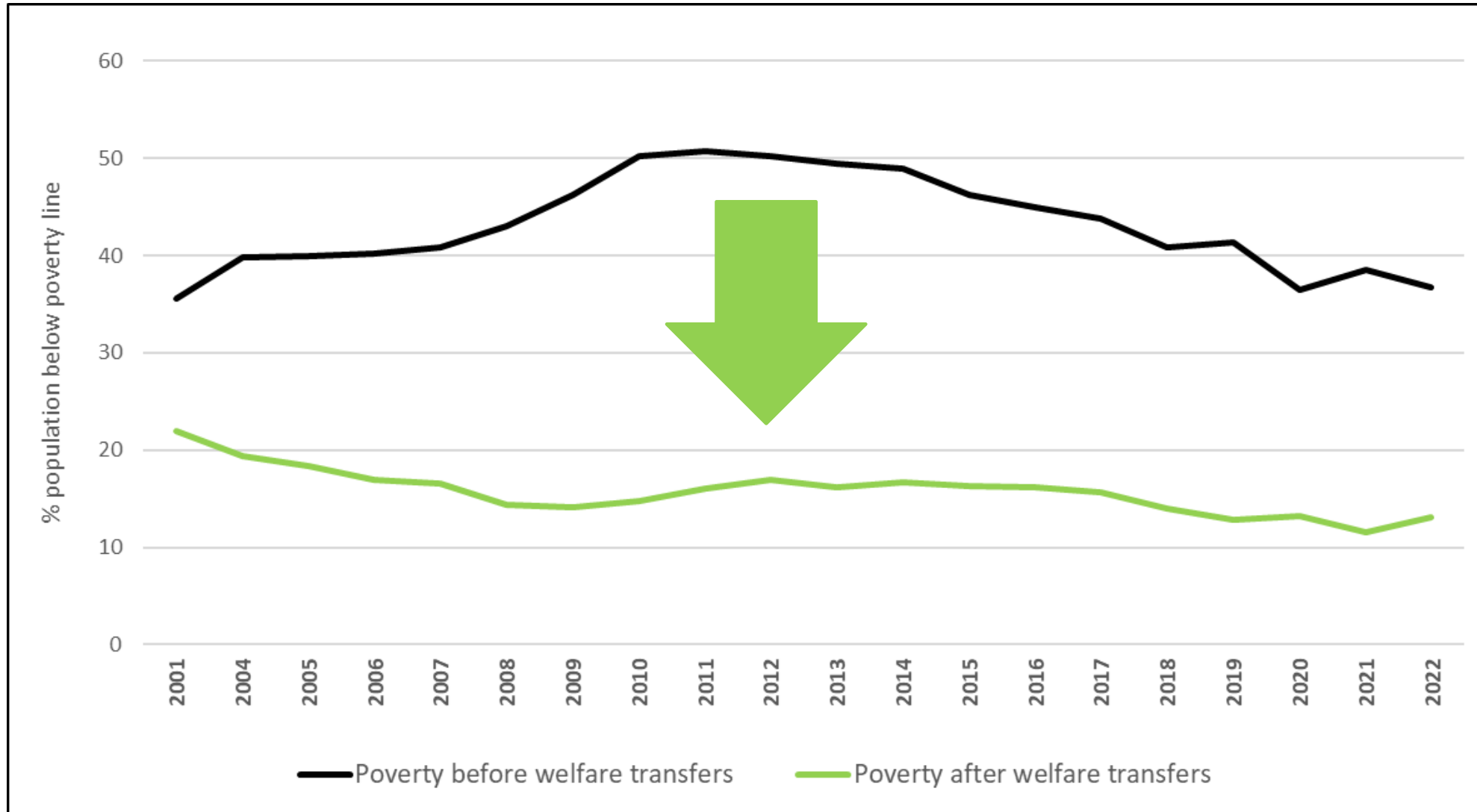
## 4. POVERTY

- **The importance of welfare supports**
  - Can be overlooked
  - The dominant income source for the bottom two deciles of the income distribution
    - Looking at CSO SILC 2022:
      - Bottom decile: welfare supports = 73% of disposable income
      - 2<sup>nd</sup> decile: welfare supports = 67% of disposable income
      - 3<sup>rd</sup> decile: welfare supports = 53% of disposable income
    - On average, for all households = 20% of disposable income

**Figure 6: Welfare as a % of Disposable Income, by income decile for 2022**



**Figure 7: Relative Income Poverty Rates before and after welfare transfers, 2001-2022**

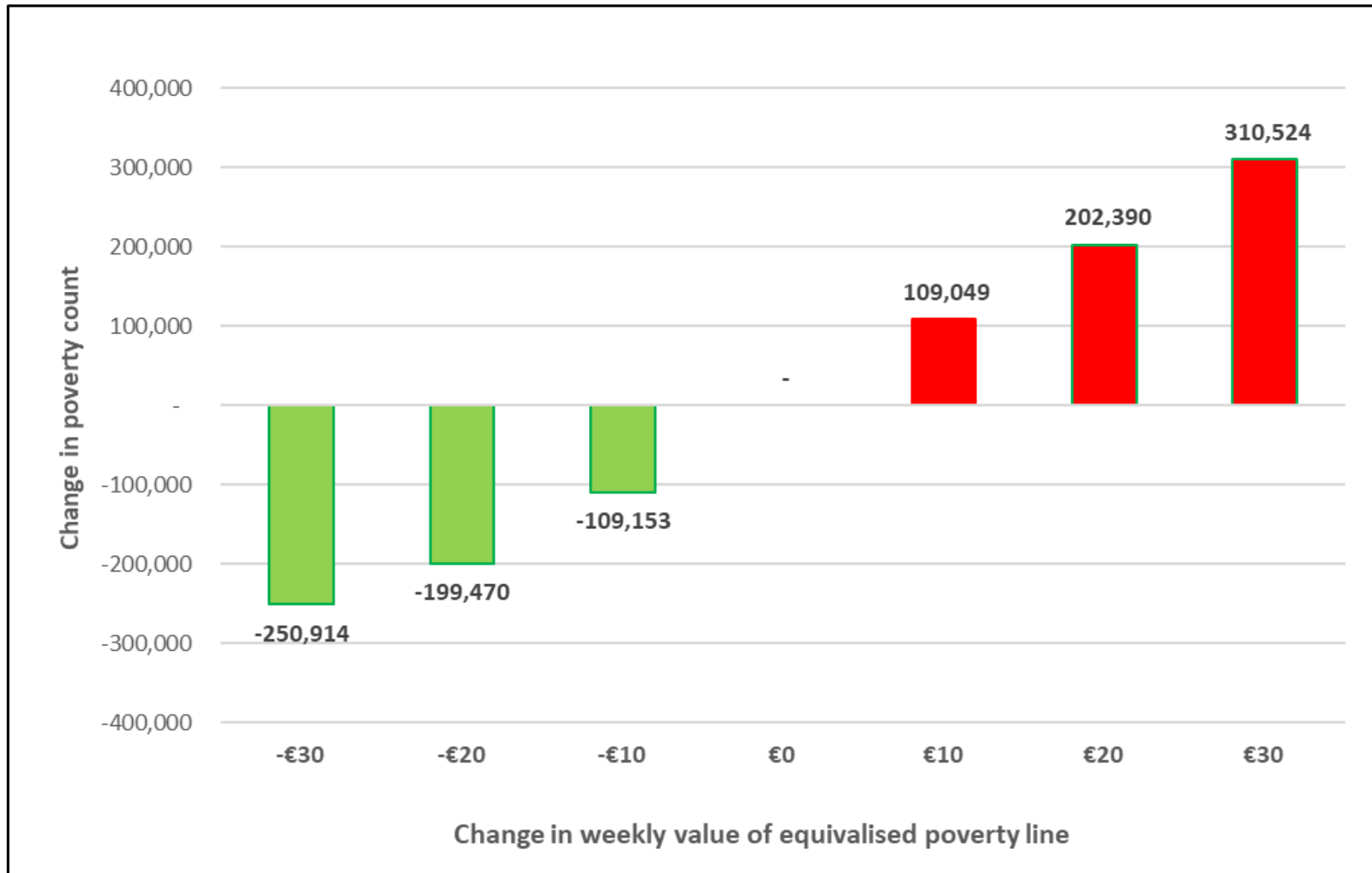




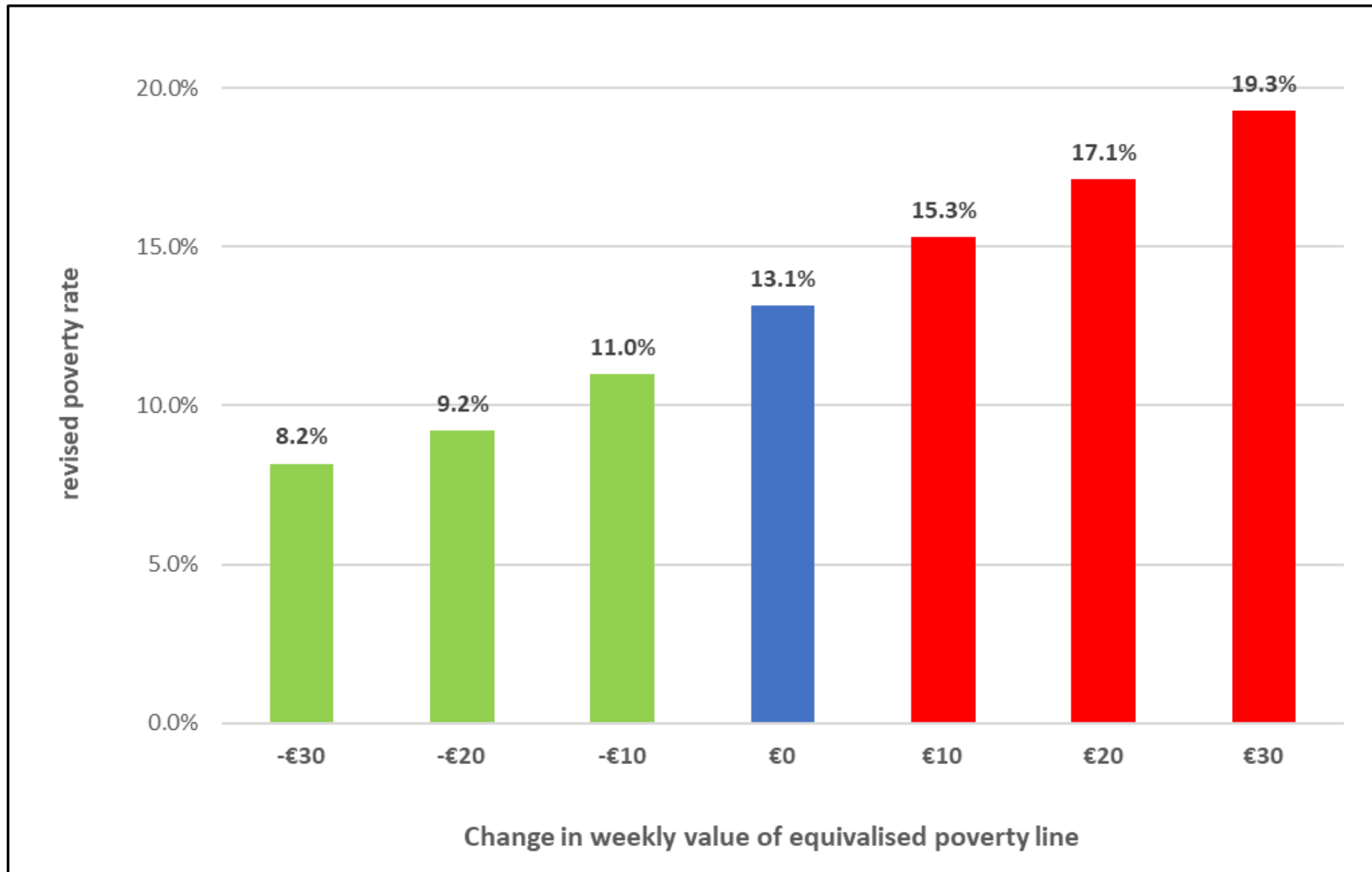
## 5. POVERTY TODAY: 'AROUND THE POVERTY LINE'

- Other studies looking at who is in poverty etc. (see SJI ongoing work)
- Taking a different focus here:
- A contemporary reflection on those living on an income in and around the poverty line
  - Poverty line in 2022 for a single adult = €301.95 (CSO, SILC 2022)
  - Below this = at risk of poverty
  - Above this = out of poverty
  - Who is very near the threshold?
  - Within €10 / €20 / €30 each side of the poverty line
  - Therefore, small changes in income could lift people out of, or shift people into, poverty

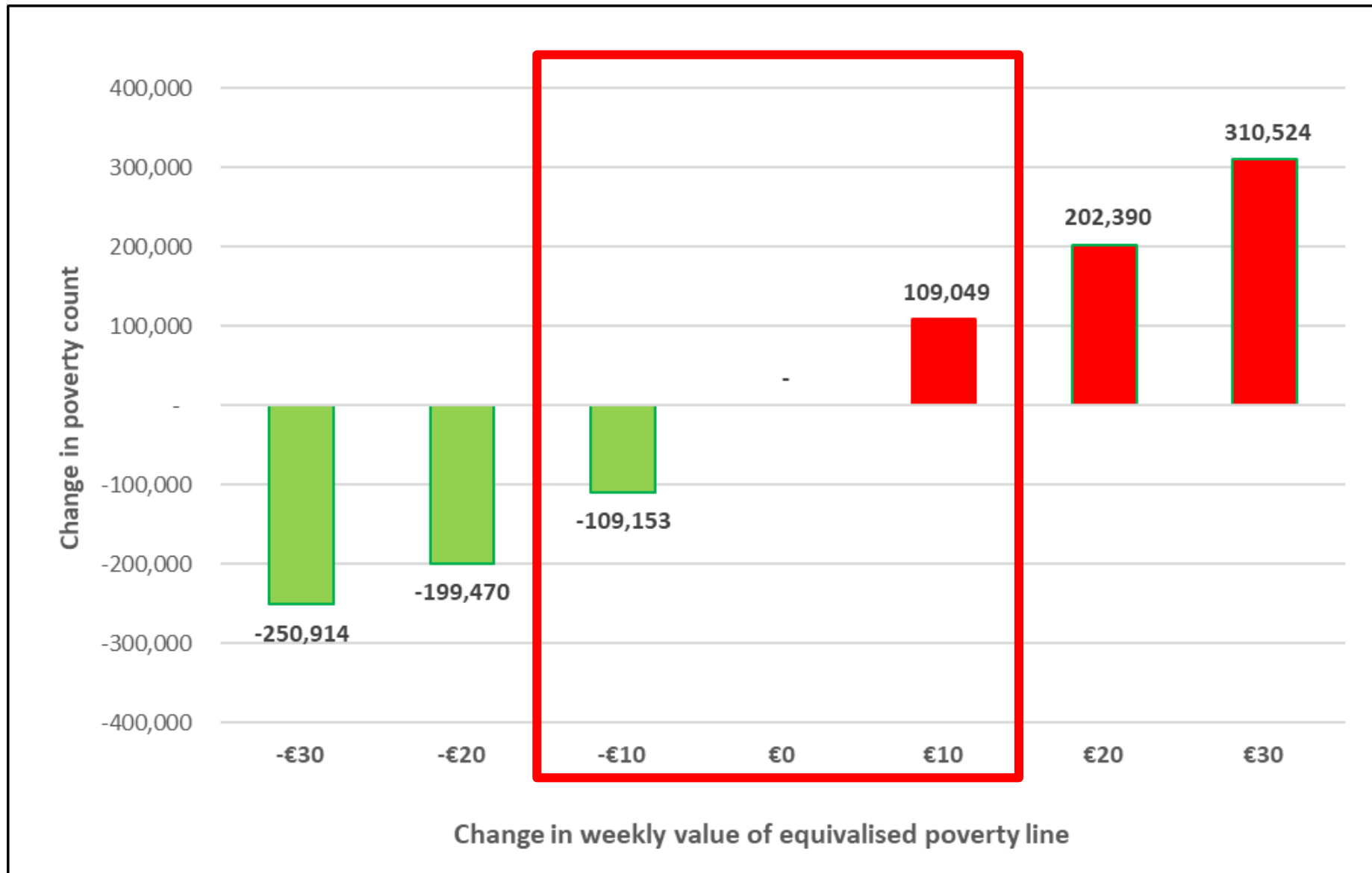
**Figure 8: Count of individuals 'around the poverty line', 2022**



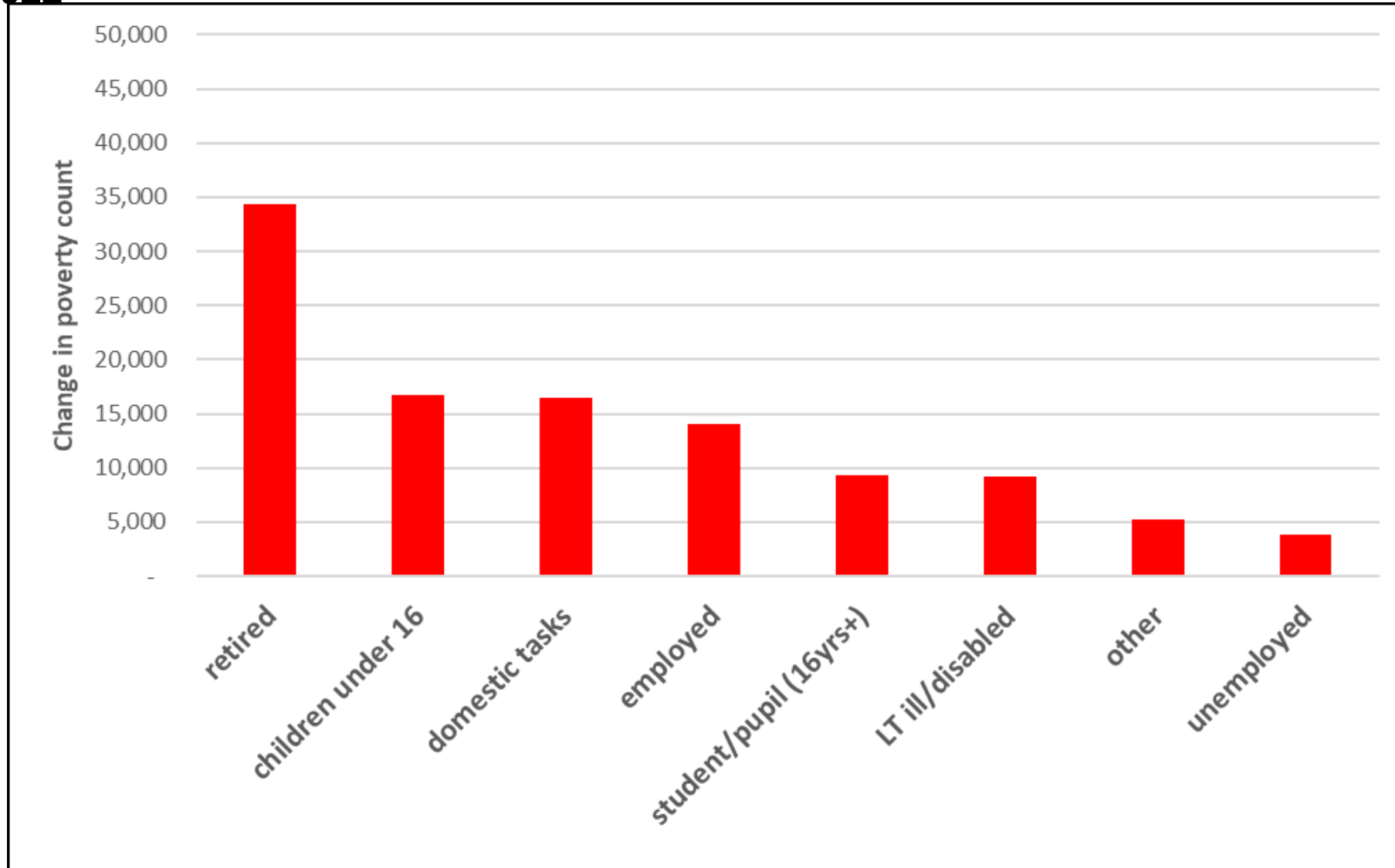
**Figure 9: Revised Poverty Rates if Poverty Lines change, 2022**



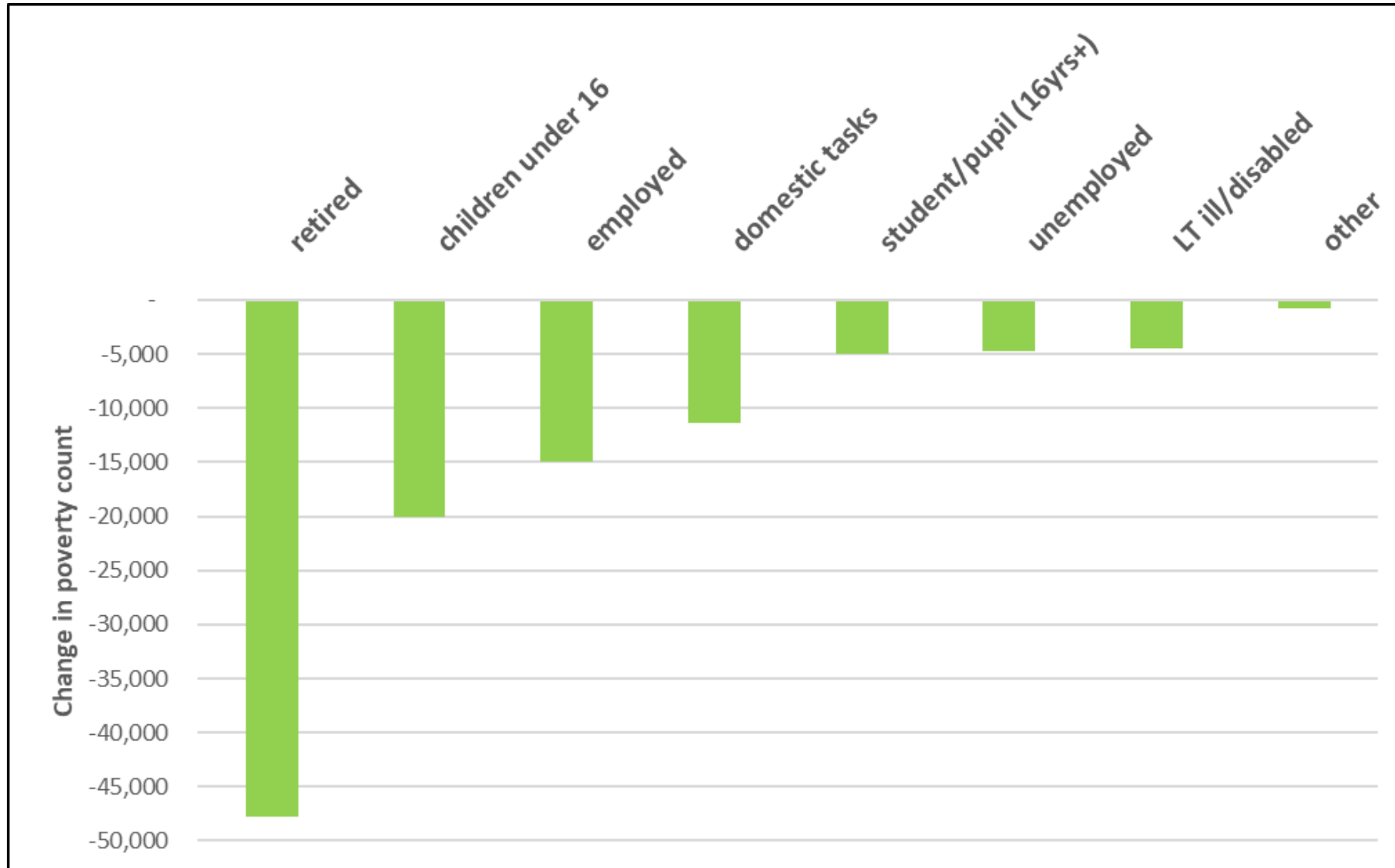
**Figure 8: Count of individuals 'around the poverty line', 2022**



**Figure 10: Profile of those very near to falling into poverty - within €10 above the poverty line, 2022**



**Figure 11: Profile of those very near to exiting poverty - within €10 below the poverty line, 2022**



## 6. SOME REFLECTIONS AND LOOKING FORWARD

- **Over 50 years:**
  - **Income Distribution and Inequality**
    - Not much change at the headline level
    - Obvious redistribution effects ongoing, especially addressing inequity in earnings (market) income
  - **Poverty**
    - A downward trend – but waves of change
    - Key role for welfare payments to support the living standards of those at the bottom of the income distribution
  - **Around the Poverty Line**
    - Headline poverty rates and numbers = precarious
  - **Missing: new data (from 2013) on household level and distribution of wealth**
    - Potential for better, and more integrated, insights into living standards
    - Much like where income data was around early 1990s

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