

Election 2024 Briefing

INCOME DISTRIBUTION



The present situation

Poverty and Income Distribution in Ireland

- 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 2022 – the latest year for which we have data – this was €16,558 per year, or around €317 per week. Anyone living below this threshold is considered at risk of poverty.
- The at-risk-of-poverty rate in Ireland is 10.6 per cent. Without the tax and social welfare systems, that rate would be 34 per cent. Such an underlying poverty rate suggests a deeply unequal distribution of market income.
- Of the approximately 559,800 people living in poverty in Ireland, around 177,000 are children.

In 2023, the top 10 per cent of the population received almost one quarter of total income while the bottom decile received just 4.1 per cent. Collectively, the poorest 60 per cent of households received almost the same share of income as the top 20 per cent. Overall, the share of income going to the top 10 per cent is more than 5.5 times the share of the bottom 10 per cent.

Problems with Social Welfare

The poverty line in Ireland for 2024 is €324. What is immediately apparent is that all core weekly social welfare payments are considerably below this level.

In 2024, the State Pension (Contributory) is €277.30 per week, while Jobseeker's and other similar payments are €232 per week. Given that wage increases continue in the economy, the gap between core welfare rates and the poverty line will have increased even further.

- Core social welfare rates have not kept pace and 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 of the basic payment for dependants.

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. 145,561 people live below the poverty line despite having a job. Over 300,000 people at work are experiencing enforced deprivation, having to go without essentials despite having a job.

7 per cent of workers in Ireland earn the National Minimum Wage (NMW) or less, and approximately one in five full time workers earn below the Living Wage – the rate a single person working full-time must earn to achieve a minimum socially acceptable standard of living. The difference between the two rates if working a 40 hour week is €84 gross.

- Ireland has one of the highest rates of low-paid employment in the OECD. Low pay impacts opportunities for secure housing, to access further education, health and well being.

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, the disabled 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.
- Government should establish a Working Group to examine and determine an adequate social floor that covers both income and access to service and is accessible to everyone.

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, in particular for jobseekers ages under 25 and less reliance on Qualified Adult payments.
- Policy should ensure that payments for children are adequate, in order to address child poverty and recognise that older children require a higher payment level.

Employment

- 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.
- Government must ensure that thresholds are increased as a matter of course in line with changes to welfare and taxation.
- Government must recognise the challenges of long-term unemployment and of precarious employment and adopt targeted policies to address these.

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.
- Child poverty measures must focus on increasing household incomes. Child benefit and qualified child increases are key payments and must reflect the daily realities of increased costs for households with children, particularly those with older children.
- Ireland's ageing population will require planning. If we are to age well, adequate pension provision is a must.