

# Dublin Economic Workshop 2022

## Why has income inequality fallen in Ireland?

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**A TRADITION OF  
INDEPENDENT  
THINKING**



**University College Cork, Ireland**  
Coláiste na hOllscoile Corcaigh

# Two issues we'll cover

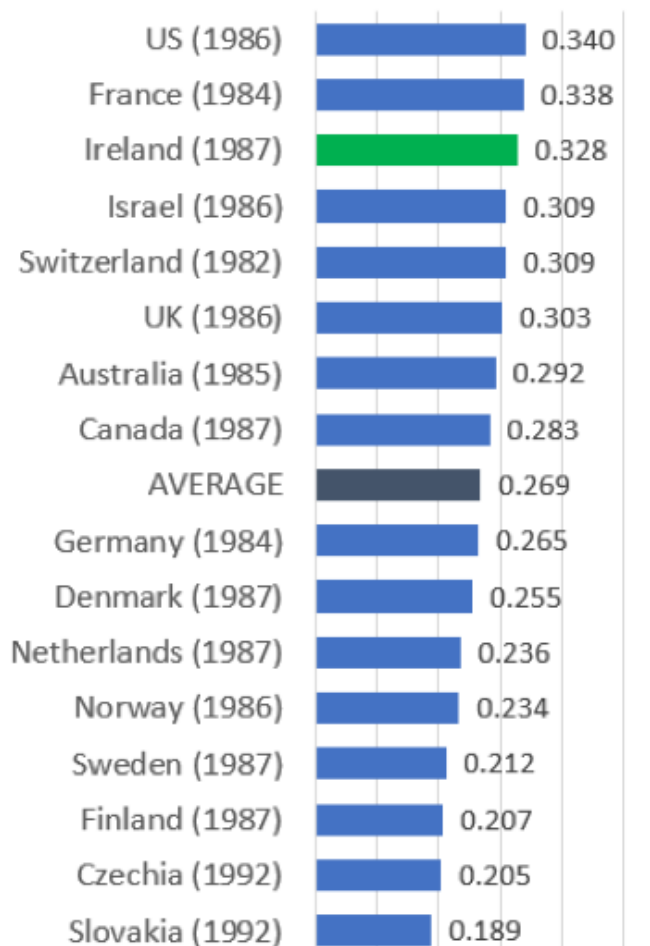
- 1** Why did income inequality change in Ireland since 1987?
- 2** Where do we stand in 2021?

# Income Inequality

- Gini Coefficient for Disposable Income
  - Range [0-1]
  - 1 = perfect inequality
  - 0 = perfect equality
- Comparative data, including composition, since the mid-1980s for a group of 16 (OECD) countries:

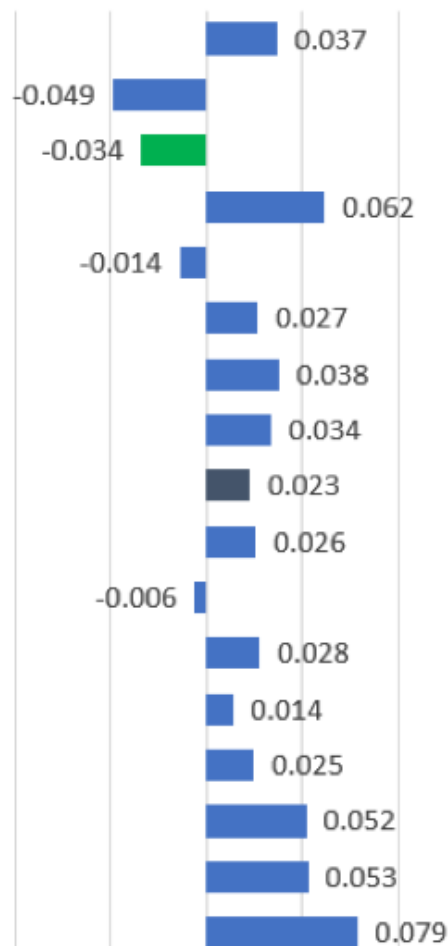
Australia, Canada, Czechia, Denmark, Finland, France, Germany, **Ireland**, Israel, Netherlands, Norway, Slovakia, Sweden, Switzerland, United Kingdom, United States,

## Gini Coefficient 1980s



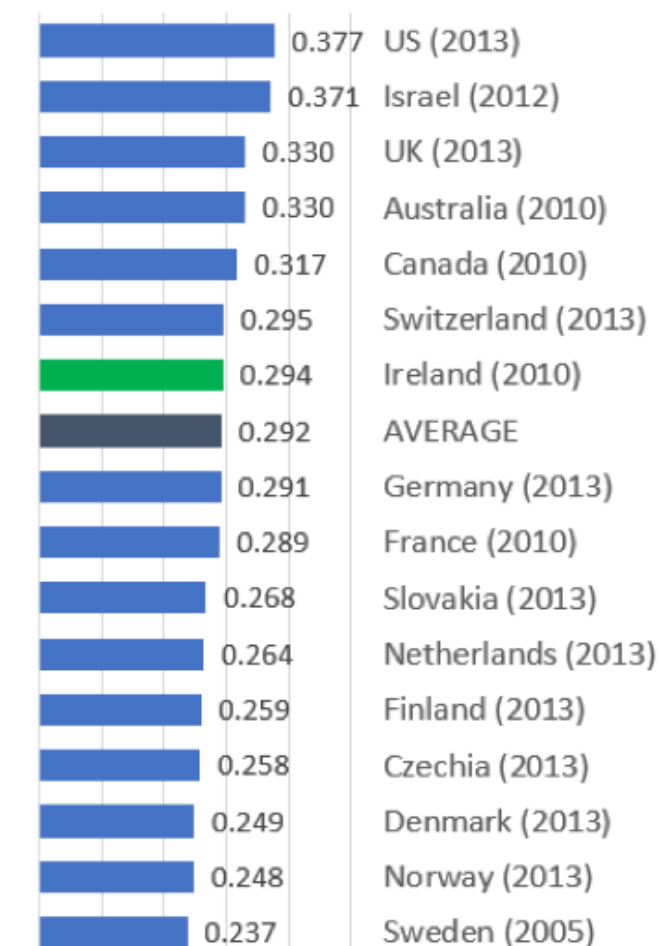
0.0 0.1 0.2 0.3 0.4 0.5

## Change



-0.10 -0.05 0.00 0.05 0.10

## Gini Coefficient 2010s



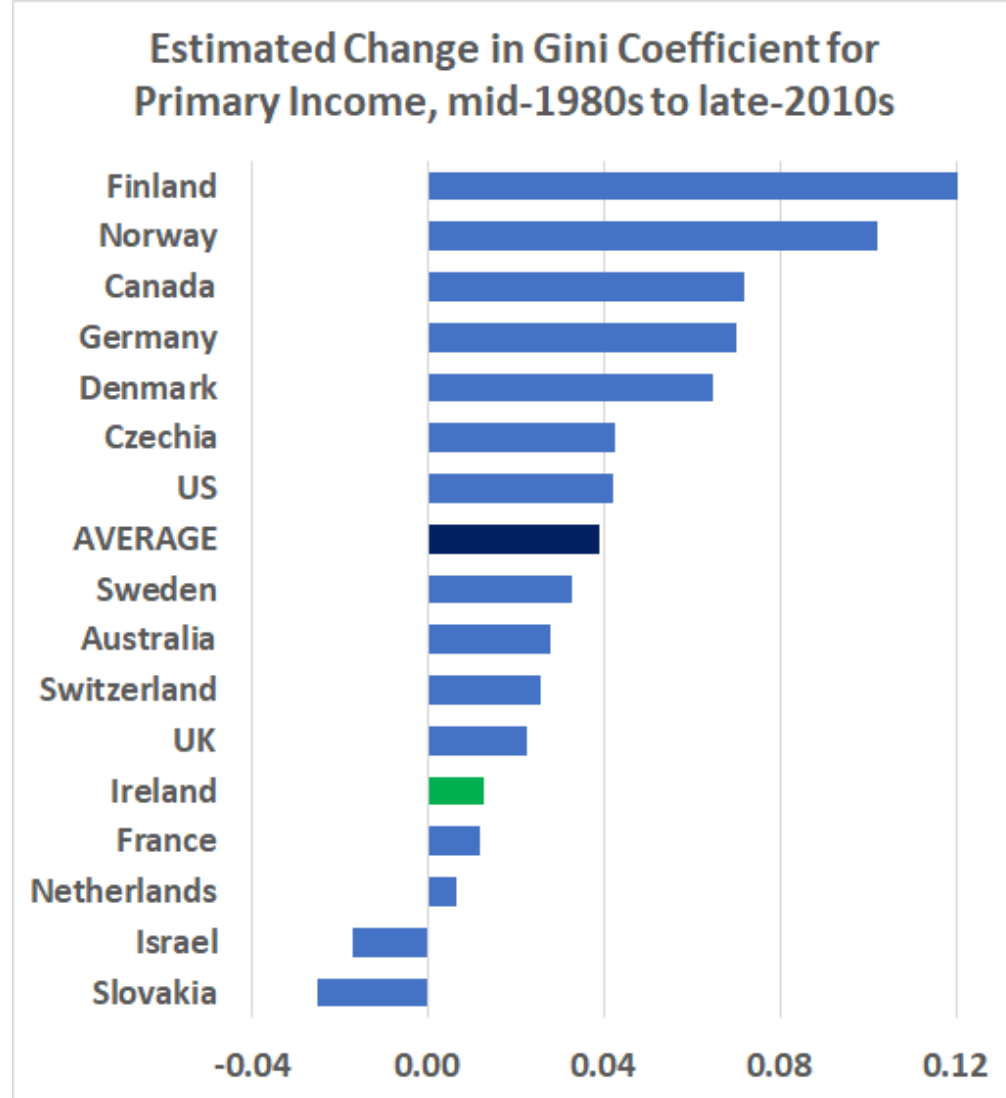
0.0 0.1 0.2 0.3 0.4 0.5

# Changing the Gini Coefficient

- 1 The distribution of **market income**
- 2 The impact of the **transfer system**  
(excluding non-cash benefits)
- 3 The impact of the **income tax system**  
(including social insurance contributions)

# 1 The distribution of market or primary income

(positive = rising inequality)

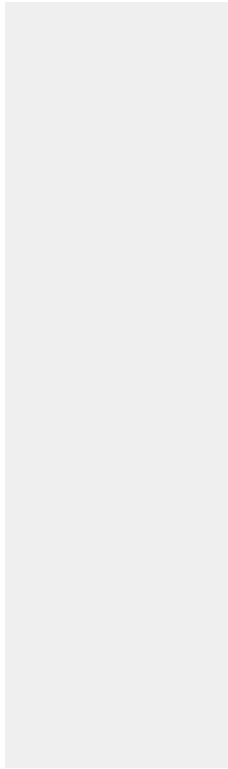
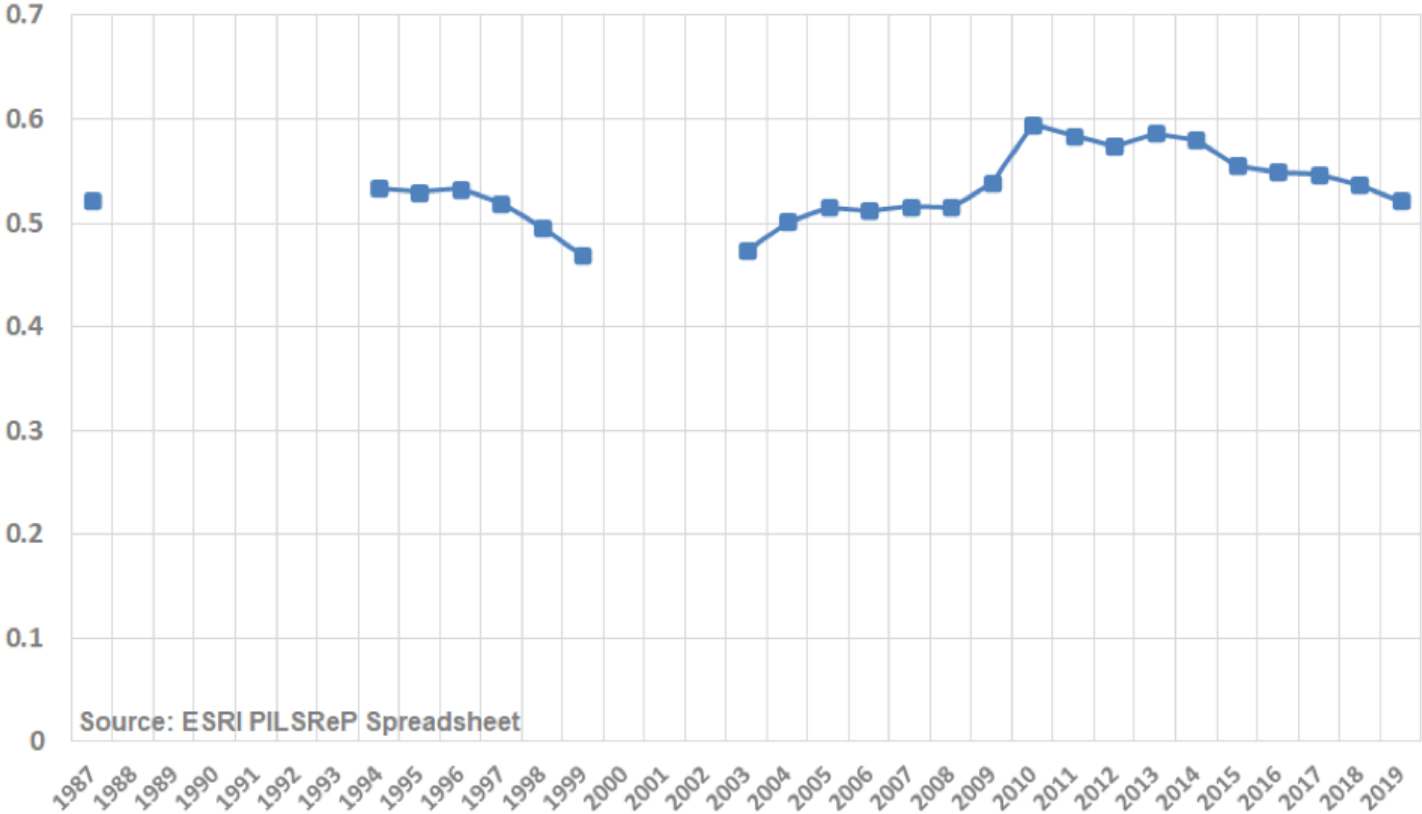


Source: Caminada, Wang, Goudswaard & Wang (2017) for mid-1980s, OECD for late 2010s, own calculations for change

# Market Income



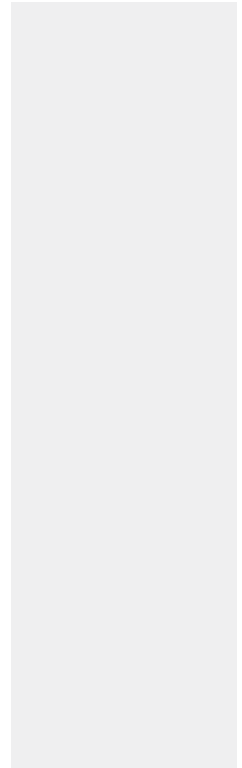
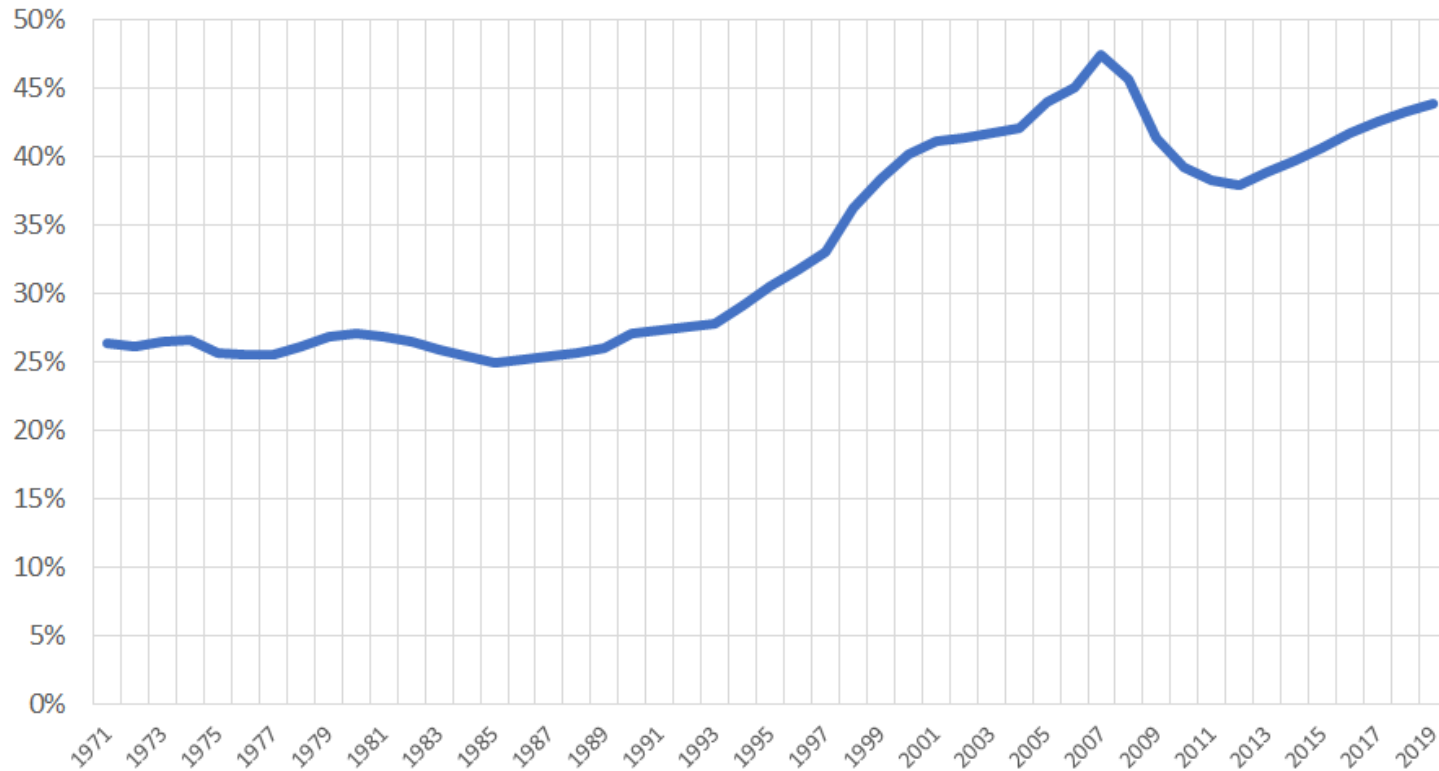
Gini Coefficient for Equivalised Market Income (0-1 Scale)



# Employment Transformation



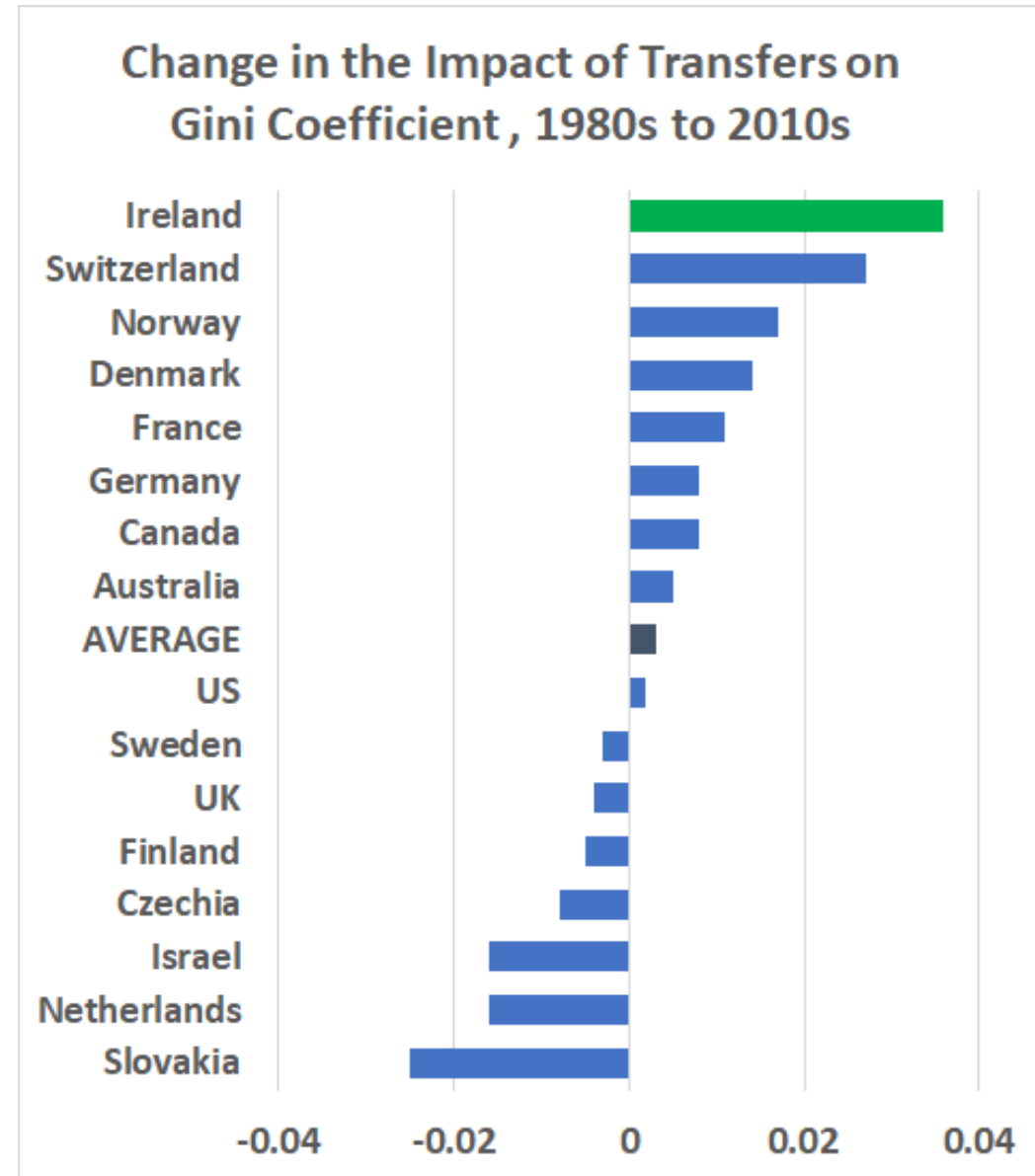
Ireland: Non-Agricultural Employment as % of the Population



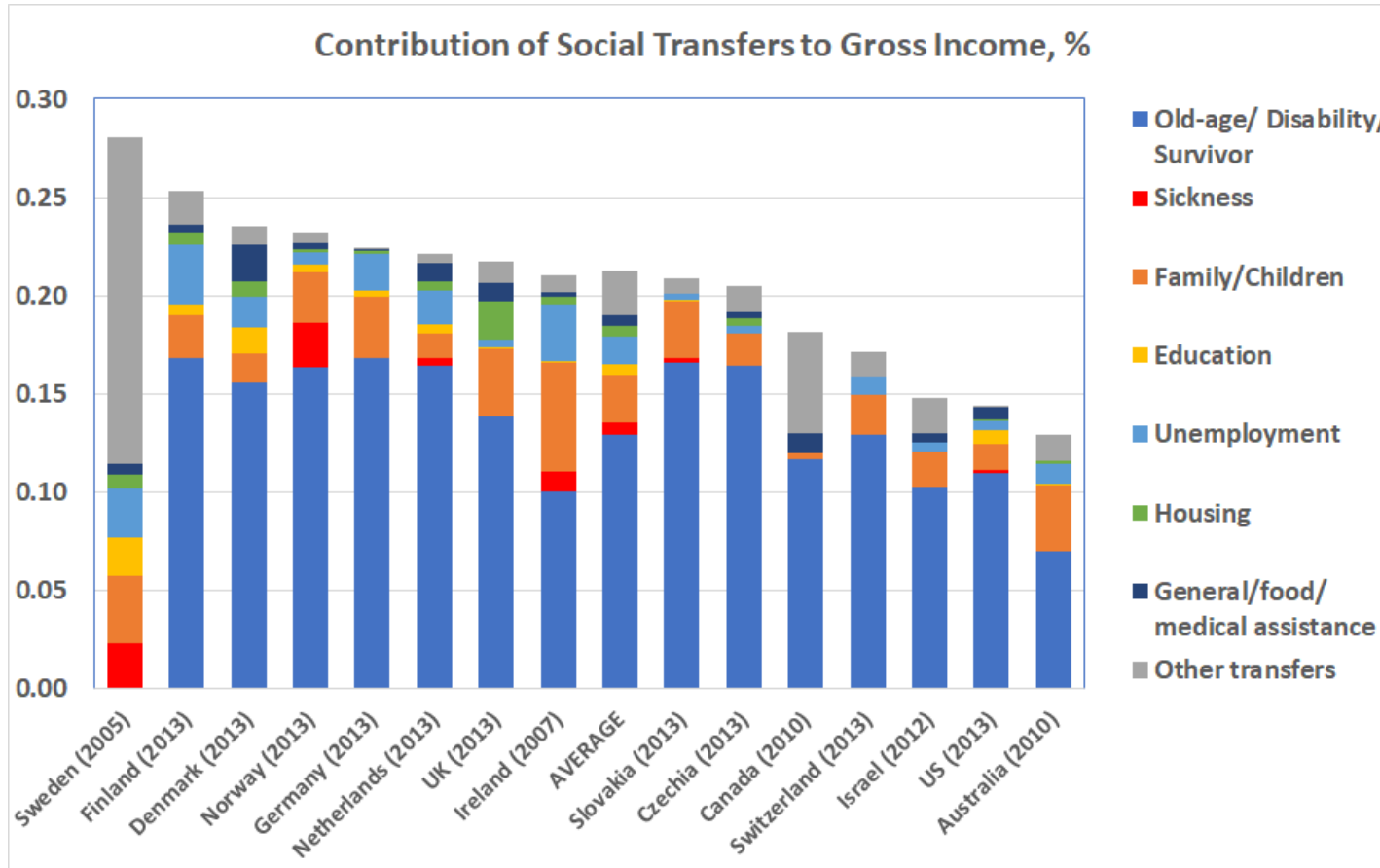


## 2 The impact of social transfers

(positive = bigger impact in reducing inequality)

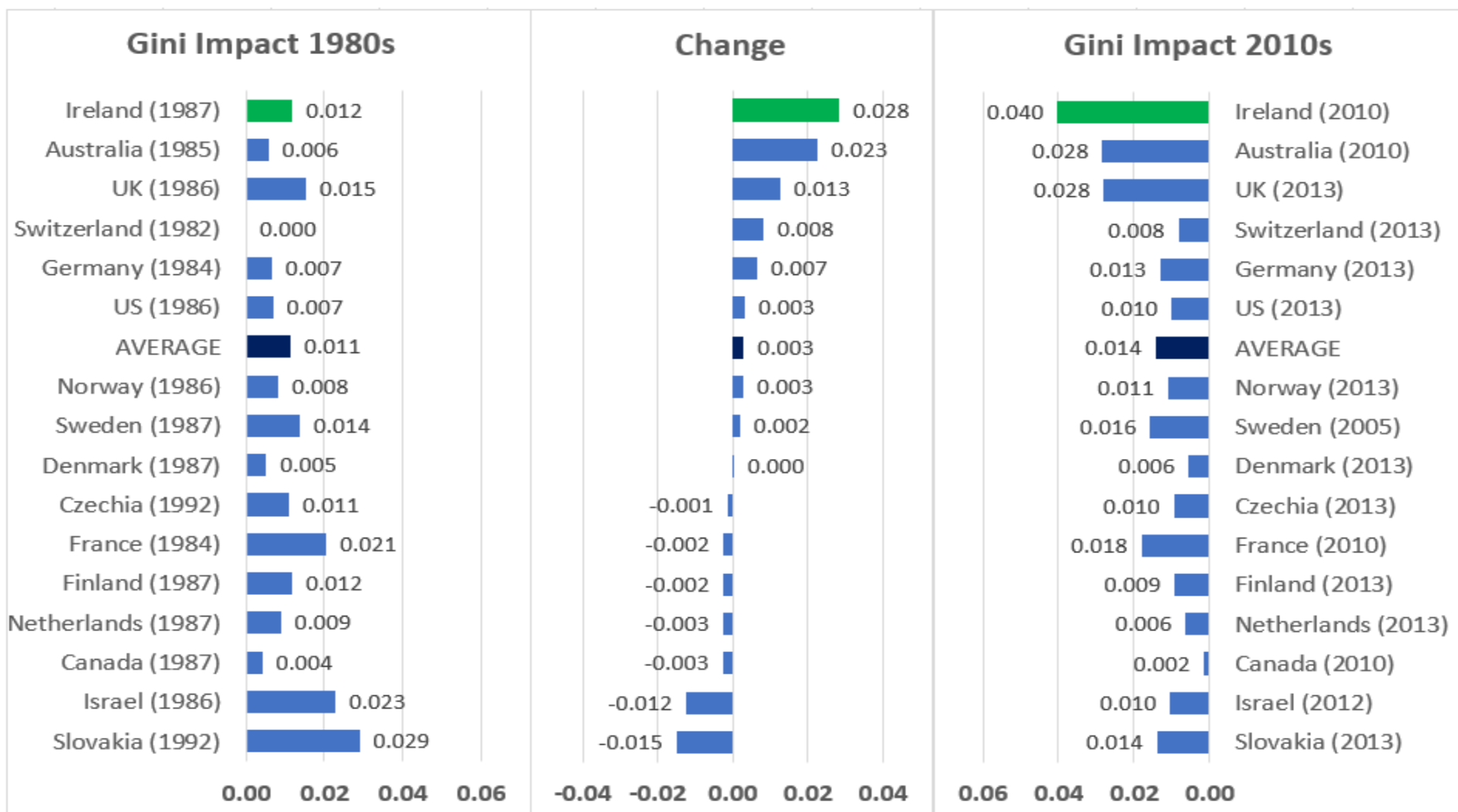


# Social Transfers



Source: Caminada, Wang, Goudswaard & Wang (2017)

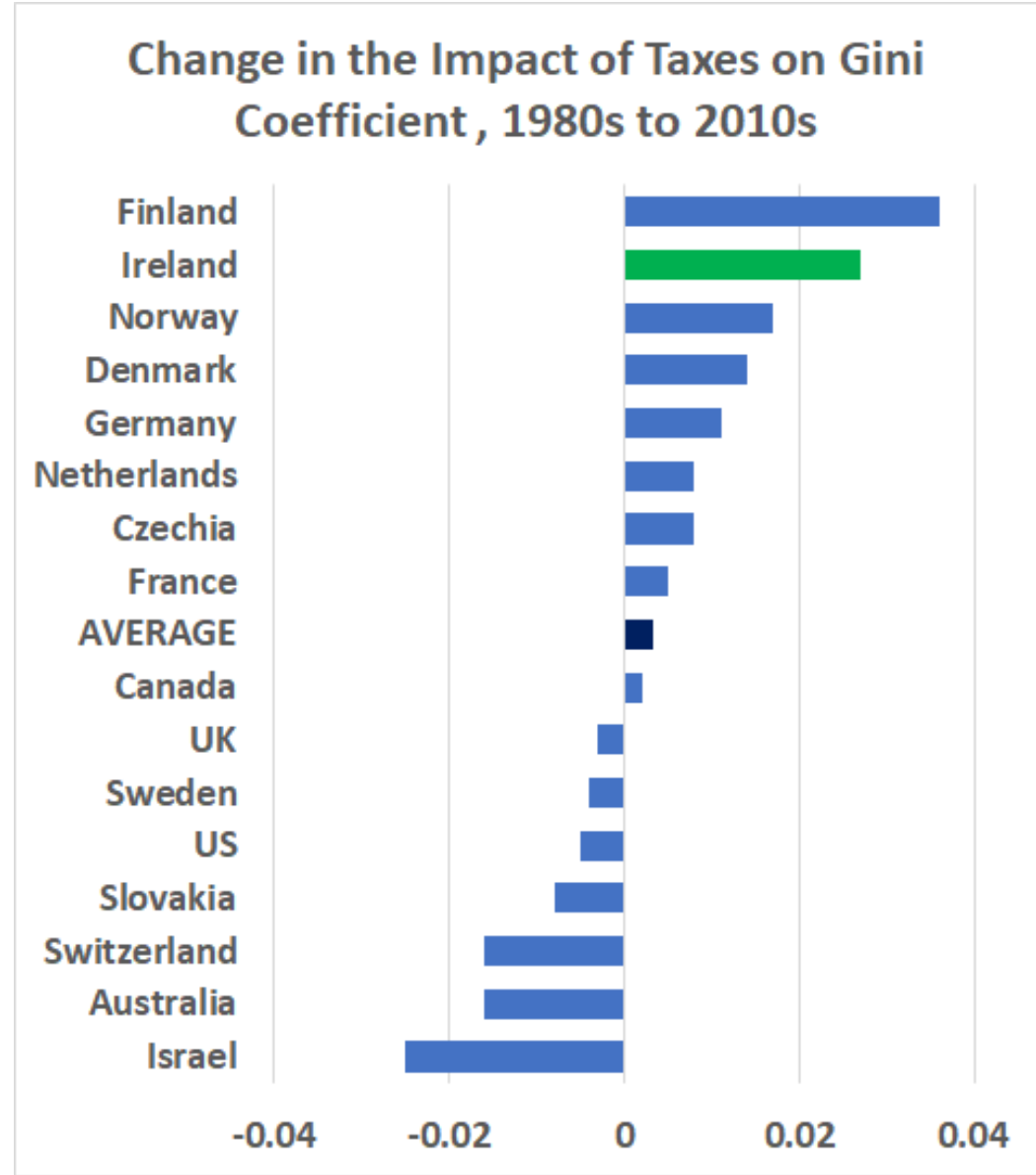
# Impact of Family and Children Social Transfers on Gini Coefficient for Disposable Income



Source: Caminada, Wang, Goudswaard & Wang (2017)

# 3 The impact of the income tax system

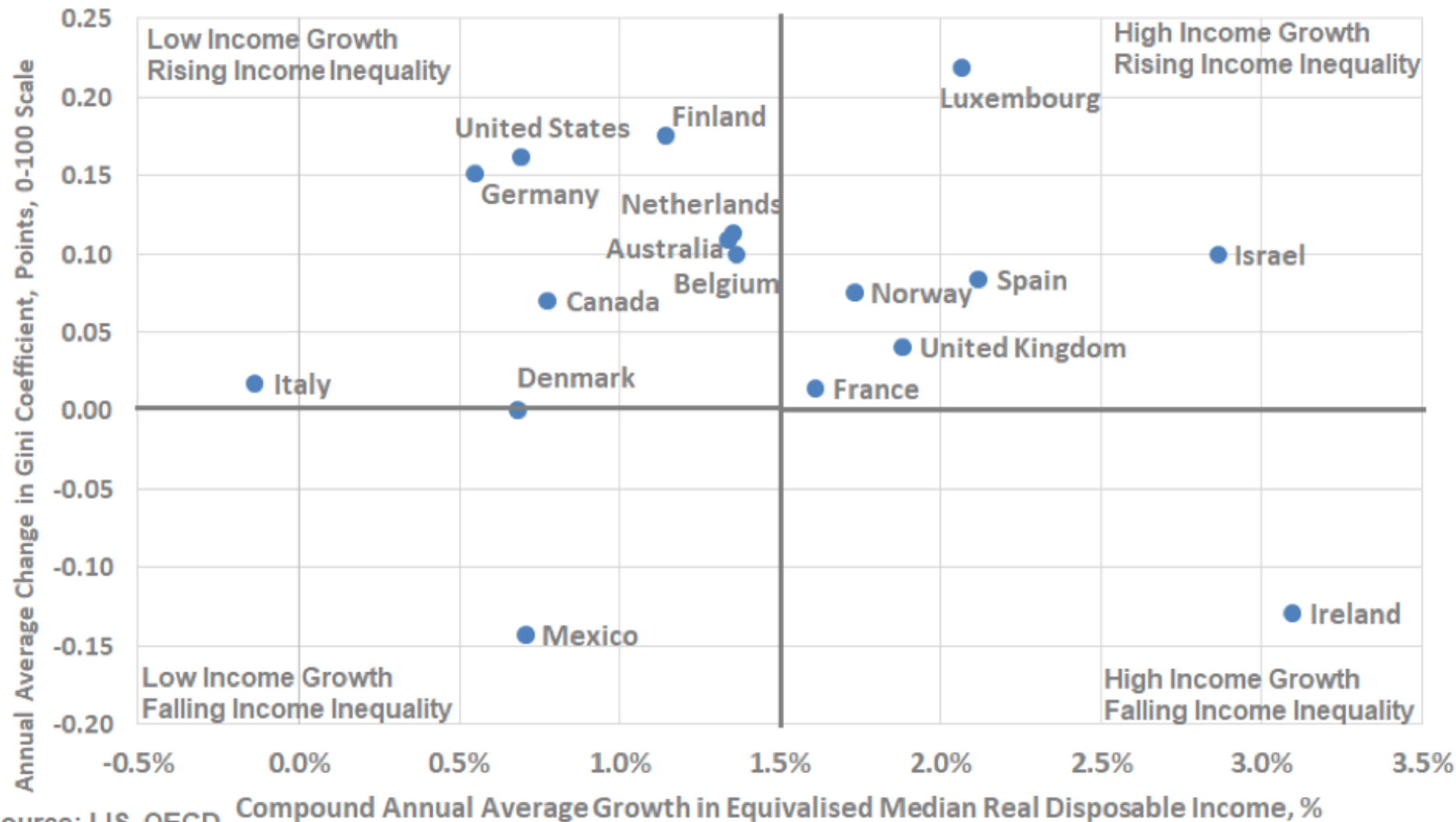
(positive = bigger impact in reducing inequality)



# What changed Ireland's gini?

- Ireland experienced a **smaller increase in market income inequality** than other high income countries so less additional redistribution needed to stand still.
- The **impact of social transfers on reducing inequality increased** in Ireland over the past 30 years notably for **child and family related social transfers**.
- The **impact of income taxes on reducing inequality increased in Ireland** over the past 30 by more than in most other high-income countries.

# Income Growth and Inequality Changes, 1987 to 2018 (or nearest +/- 2 years)



Source: LIS, OECD

# Where stand in 2021?

