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# EMPLOYMENT EARNINGS INEQUALITY IN IRELAND - 2006 TO 2010



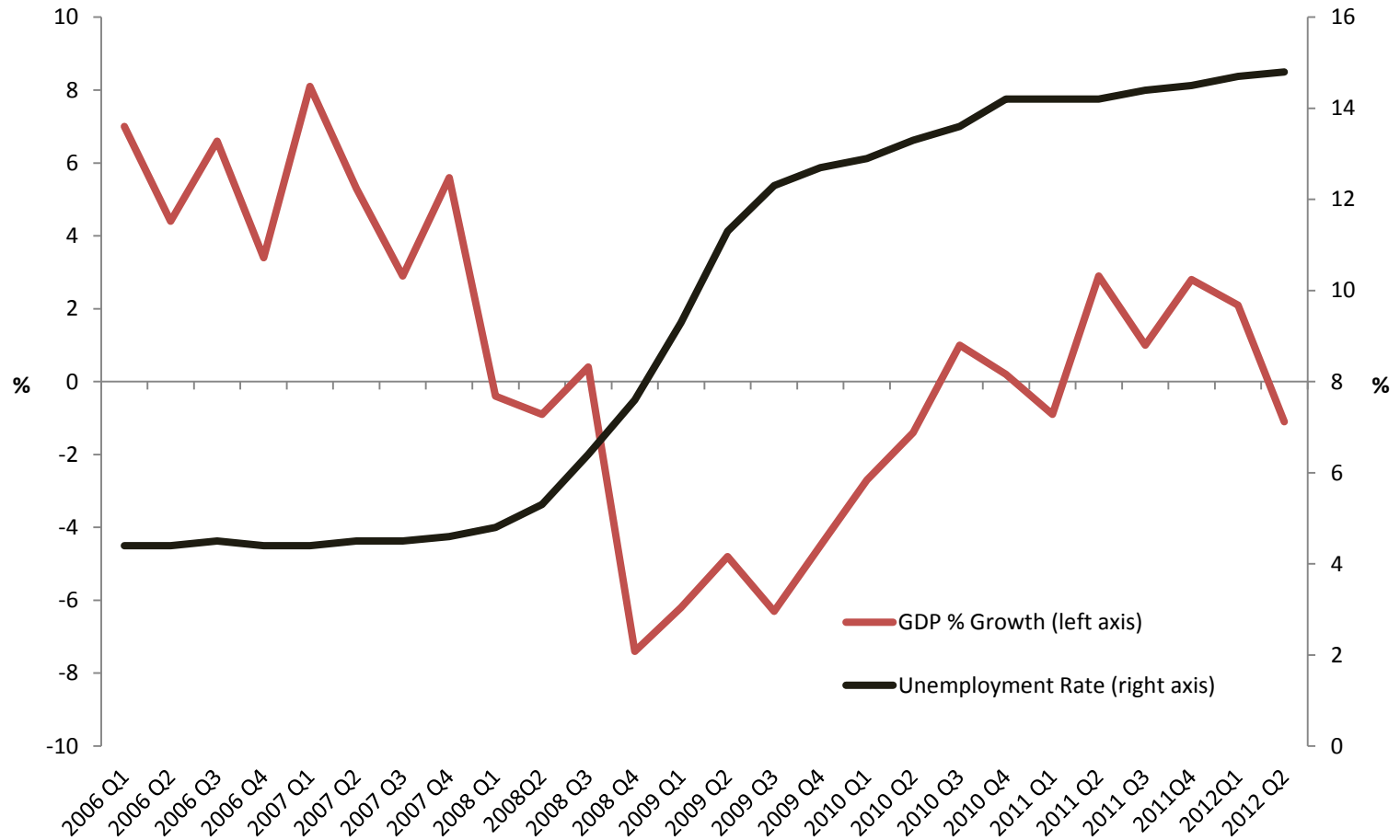
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# Introduction

- Analyse changes in the earnings distribution of employment income in Ireland over the period 2006-2010.
- Establish the impact of this period of economic turmoil on the distribution of individuals' employment earnings.
- Using a new administrative data source from the Central Statistics Office (CSO), based on information collected by the Revenue Commissioners, we analyse the changes in employment earnings of approximately 1.4 million people and the impact on earnings inequality as a result.
- The report analyses inequality from several perspectives including age, gender and the sector in which an individual is employed.
- This allows for new insights to be gained as to how different groups in employment in Ireland have been affected over this period.

# Economic Context

## Economic growth and employment



Source: CSO

# Economic Context

- In 2008 the Irish economy entered a deep recession (ESRI, 2012).
- During a recession, one might expect incomes to decrease as unemployment increases and companies implement cost cutting measures including wage cuts and reduced working hours.
- The CSO's Earnings Hours and Employment Costs Survey shows that both hours worked per week and earnings per week decreased from quarter 1 (Q1) 2008 to quarter 4 (Q4) 2010.
- Hours worked fell from 32.7 hours worked in Q1 2008 to 31.8 hours worked in Q4 2010.
- At the same time, earnings per week fell negligibly from €704.28 in Q1 2008 to €701.93 in 2010 (CSO, 2012b).
- What has happened to earnings inequality?

# Why Study Income Inequality?

- Wilkinson and Pickett (2010) contend that countries with higher levels of income inequality are more likely to also suffer from a wide range of social problems including:
  - poorer educational achievement
  - lower life expectancy and other inferior health outcomes
  - higher levels of violence and crime
  - lower social mobility
  - lower levels of social trust and cohesion.

# Why Study Income Inequality?

- This report is concerned with inequality in earnings and so has implications for government attempts to reduce Irish income inequality.
- Wilkinson and Pickett (2010: 271) argue that it is impossible for governments not to influence income differences.
- They do this through, for example, their role as an employer, through tax and welfare policies and through education, industrial and labour market policies.
- The extent to which the state needs to address inequality depends on the degree of inequality that already exists in earnings from employment.

# Existing Studies

- The Survey on Income and Living Conditions (SILC) 2010 report shows that income inequality increased between 2009 and 2010 (the Gini coefficient rose from 29.3% in 2009 to 33.9% in 2010).
- OECD (2011) shows that income inequality has been increasing across most countries and has become more apparent during the global economic crisis.
- OECD (2011) highlights that the single most important factor behind the growing gap between rich and poor is greater inequality in wages and salaries.
- Wages and salaries account for about 75% of household income among working age adults.

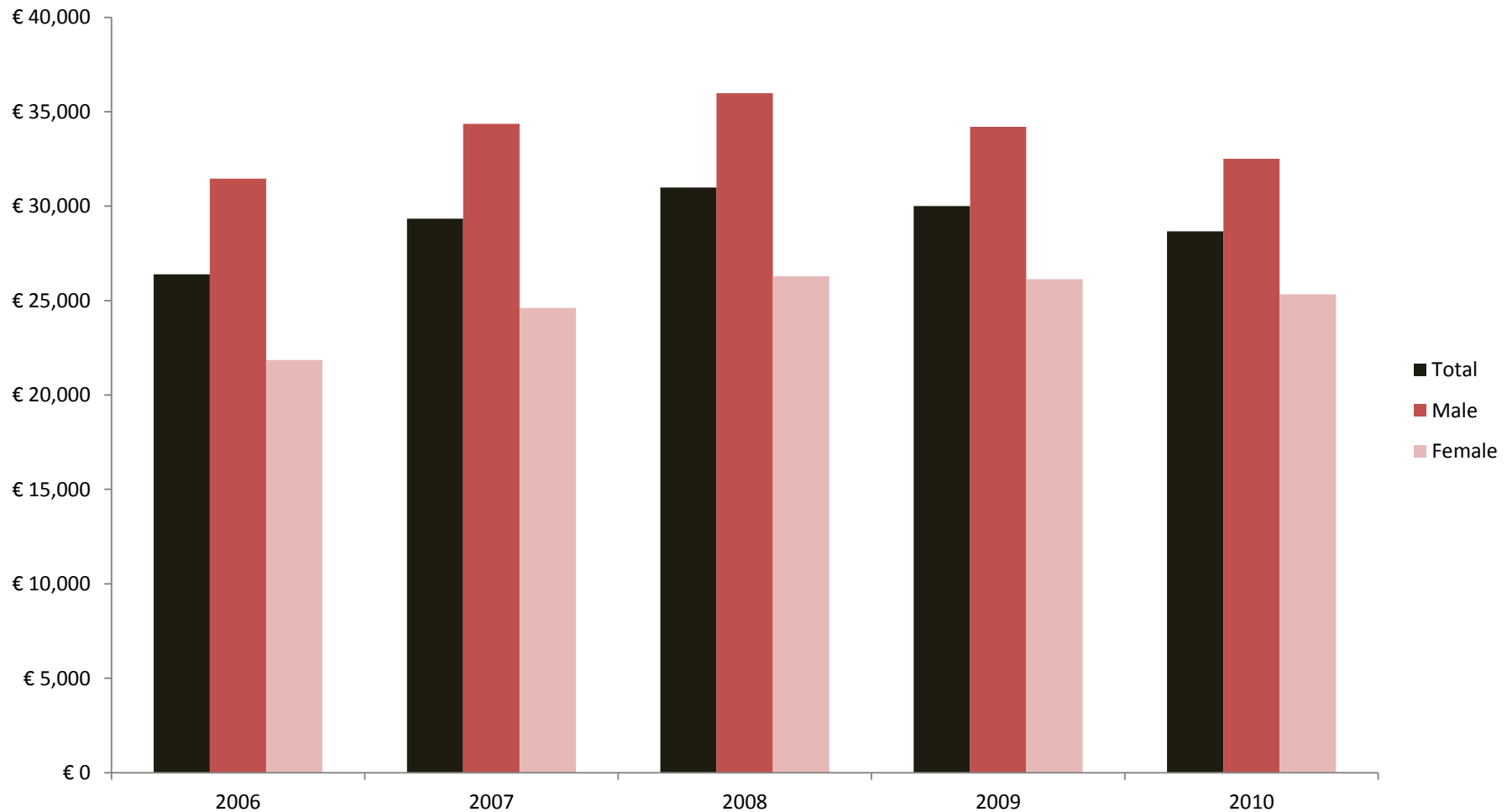
# Data and Method

- P35L data source from the Revenue Commissioners on employment records
- Sample of 1,406,901 individuals.
- All individuals have a P35L submitted for all years in the study.
- Measuring earnings inequality: The Gini Coefficient.

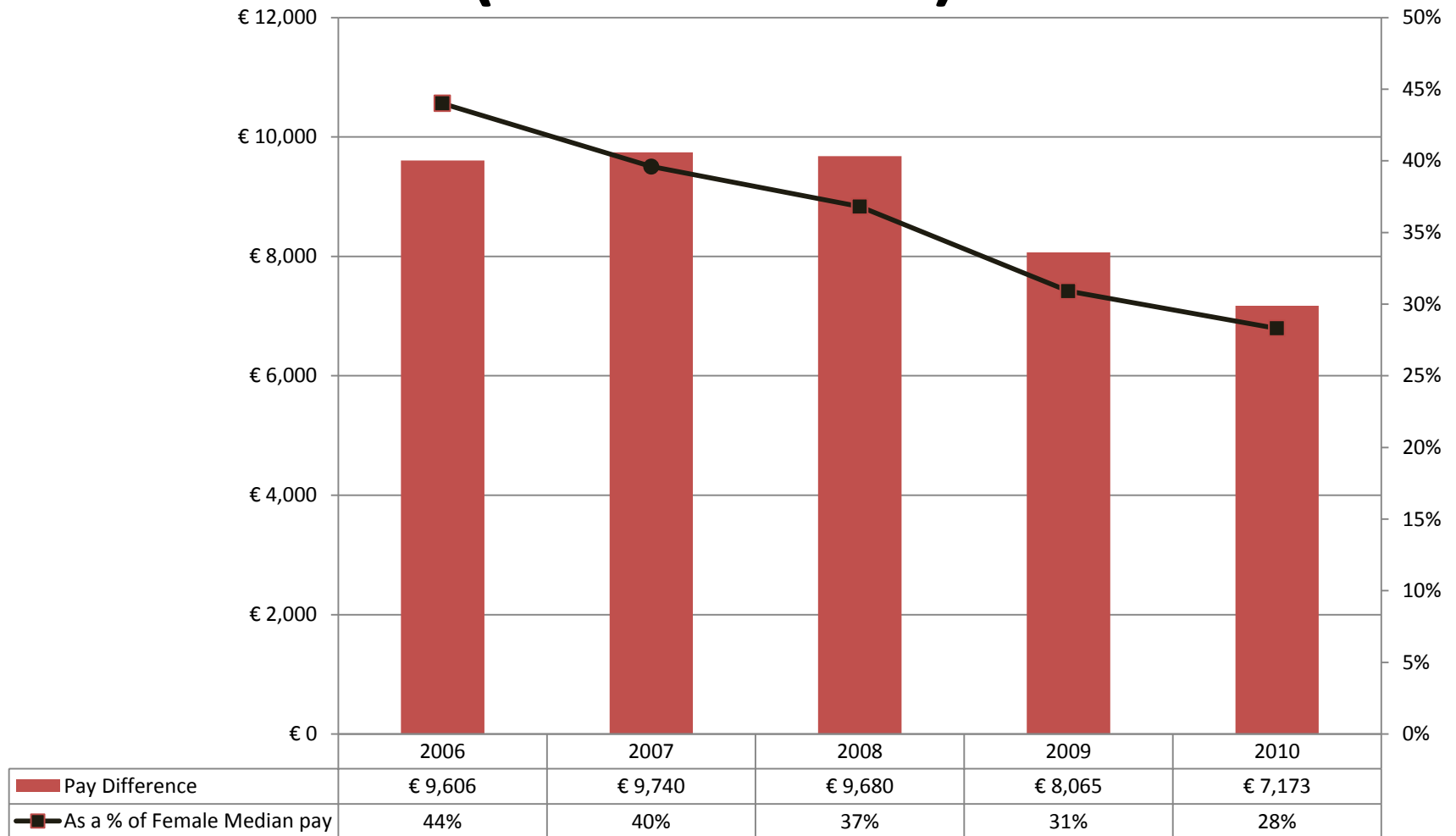


# Employment Earnings

Median Pay (including by gender) for the period 2006 to 2010

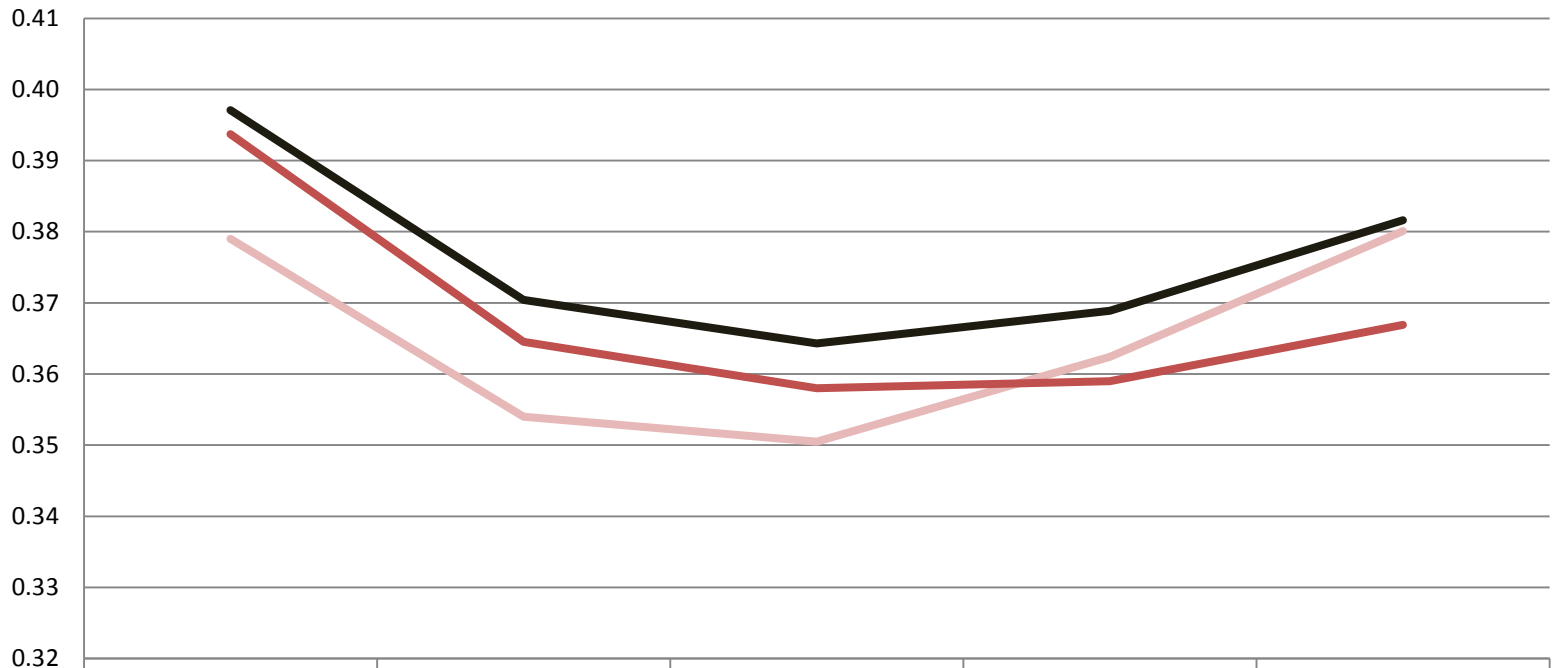


# Male/Female Earnings Differential (2006 to 2010)



# Employment Earnings Inequality

Earnings Inequality (including by gender) from 2006 to 2010



	2006	2007	2008	2009	2010
— Total	0.40	0.37	0.36	0.37	0.38
— Male	0.38	0.35	0.35	0.36	0.38
— Female	0.39	0.36	0.36	0.36	0.37

# Changes in Earnings

	Median pay 2006	Median pay 2010	% change 2006-08	% change 2008-10	% change 2006-10
Bottom Quintile	€ 5,909	€ 7,227	70%	-28%	22%
Second Quintile	€ 16,986	€ 19,125	29%	-12%	13%
Third Quintile	€ 26,391	€ 28,669	17%	-8%	9%
Fourth Quintile	€ 37,228	€ 39,545	14%	-7%	6%
Top Quintile	€ 58,569	€ 60,698	13%	-8%	4%
Full Sample	€ 26,391	€ 28,669	17%	-8%	9%

# Earnings Mobility

Number of Individuals moving between quintiles (including by gender and age) from 2006 to 2010 (% of total)

	Same Quintile		Move to lower quintile		Move to higher quintile	
Overall	744,417	53%	321,584	23%	340,900	24%
Male	374,887	53%	175,458	25%	156,144	22%
Female	369,530	53%	146,126	21%	184,756	26%
Age Category						
16-30 years	240,311	43%	107,523	19%	205,861	37%
31-45 years	303,814	58%	126,783	24%	97,730	18%
46-60 years	186,161	63%	75,869	25%	35,679	12%
61+ years	14,131	52%	11,409	42%	1,630	6%

# Experiences of Low Paid Workers

## Low Paid Individuals (60% or less of median earnings) in Ireland 2006-2010

	2006	2007	2008	2009	2010
<b>Total</b>					
<b>Number of low paid individuals</b>	390,332	340,535	331,901	347,981	369,152
<b>Percentage (of all individuals)</b>	28%	24%	24%	25%	26%
<b>Median Pay</b>	€8,067	€10,410	€11,335	€10,400	€9,286
<b>Median Pay per weeks worked</b>	€244	€267	€291	€274	€273
<b>Male</b>					
<b>Number of low paid males</b>	141,565	113,735	111,691	131,126	149,968
<b>Percentage (of all males)</b>	20%	16%	16%	19%	21%
<b>Median Pay</b>	€8,005	€10,440	€11,495	€10,198	€8,882
<b>Median Pay per weeks worked</b>	€267	€298	€319	€309	€296
<b>Female</b>					
<b>Number of low paid females</b>	248,767	226,800	220,210	216,855	219,184
<b>Percentage (of all females)</b>	36%	32%	31%	31%	31%
<b>Median Pay</b>	€8,099	€10,400	€11,261	€10,517	€9,549
<b>Median Pay per weeks worked</b>	€225	€260	€275	€263	€258

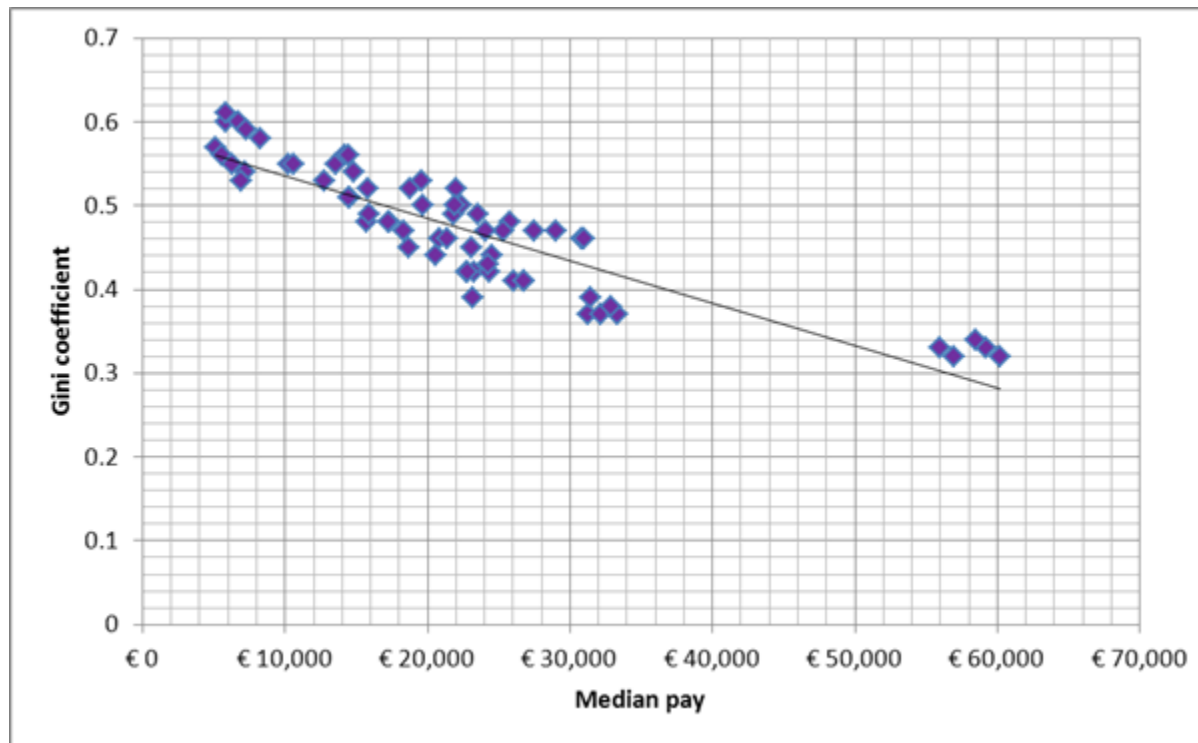
# Sectoral Earnings

## Sectoral Median Pay and Percentage Change from 2006 to 2010

NACE Rev. 2	2006	2010	% change 2006-08	% change 2008-10	% change 2006-10
Mining & Quarrying (B)	€ 31,304	€ 32,870	6%	-1%	5%
Manufacturing (C)	€ 23,269	€ 26,746	12%	3%	15%
Electricity, gas, (D)	€ 56,003	€ 58,493	8%	-3%	4%
Water supply (E)	€ 18,655	€ 23,149	22%	2%	24%
Construction (F)	€ 15,750	€ 15,891	16%	-13%	1%
Wholesale and retail trade (G)	€ 10,210	€ 14,468	25%	13%	42%
Transportation and storage (H)	€ 20,863	€ 24,221	11%	5%	16%
Accommodation and food service (I)	€ 5,116	€ 6,911	23%	10%	35%
Information & communication (J)	€ 25,807	€ 31,028	12%	7%	20%
Real estate activities (L)	€ 13,570	€ 15,789	7%	9%	16%
Professional, scientific (M)	€ 18,794	€ 21,920	17%	0%	17%
Administrative support (N)	€ 5,854	€ 8,248	15%	23%	41%
Other	€ 19,719	€ 24,067	19%	2%	22%

# Earnings and Inequality Trade-Off?

Median Pay and Gini Coefficient of Employment Income Inequality by Sector 2006-2010





# Conclusions

- The economic recession in Ireland has led to increased employment earnings inequality.
- Median pay in 2010 is higher than in 2006 for males and females and in each income category. However, median pay declined from peak in 2008.
- A gender pay gap persists but has diminished over the study period.
- Some evidence of employment income mobility in Ireland.
- The majority of individuals move one quintile whether it's a quintile above or below their quintile in 2006.
- Few individuals see a dramatic change (more than 1 quintile) in their quintile position.

# Conclusions

- There are a greater number of females than males classified as low-paid workers.
- The sectoral analysis shows that median pay varies substantially according to the sector in which the individual is employed.
- The less exposed the sector is to domestic demand conditions the higher is median pay.
- There appears to be a negative relationship between employment income inequality and median pay.

# Thank you for your attention

## We welcome questions

For more information please contact:  
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