

INEQUALITY, POVERTY, AND REGIONAL DISPARITY¹

1. Inequality and poverty in Ireland have continuously declined in the recent years.

Aggregate inequality indicators from Eurostat point to a decline in the Gini coefficient as well as in the ratio of the income of the top 20 percent earners to the bottom 20 percent earners. The Gini coefficient before social transfers was estimated at 38 percent in 2020, while after accounting for social transfers, it was estimated at 28.3 percent. Similarly, share of people at risk of poverty in Ireland came down to around 20 percent of the population in 2020, from 31 percent in 2011.² Social transfers, including pensions, have played a significant role in income redistribution. Using the World Inequality Database (WID), staff computed an index of the tax redistribution for the top 10 percent of income earners. The cross-country comparison of this index illustrates how progressive is a country's tax system in redistributing income across different income groups. In Ireland, the share of the top 10 percent income earners in 2020 post-tax dropped to 26 percent from the pre-tax level of 35 percent, indicating the progressivity of the tax system in Ireland. Moreover, from a cross-country perspective, Ireland ranks high in tax system's progressivity relative to its peers. The OECD's index of the housing cost overburden for low-income households illustrates that the average mortgage cost is higher than rent for the low-income households in Ireland³; notwithstanding that Ireland is doing better than the OECD average in keeping the housing cost overburden low⁴. While the aggregate indicators point to improvements in the inequality and poverty level in Ireland, there is still some scope to further improve housing affordability and regional disparity.

2. Ireland has made significant progress in improving well-being. The country performs well in many dimensions of well-being of their population—jobs, education, health, social connections, safety, and life satisfaction—relative to other countries in the OECD Better Life Index⁵. It, however, underperforms compared to the average in the areas of work-life balance. Moreover, the OECD report on regional inequality points to the need for more investment in housing and communities and in environmental protection⁶. In this context, the government has developed a Well-being Framework⁷ to measure progress in improving quality of life across economic and social aspects, as well as environmental, health, and other important outcomes, and better align policy decisions with people's experiences. Authorities plan to monitor the indicators in the well-being dashboard and regional disparities is welcome in order to calibrate policy and investment needs.

¹ This section is prepared by Marzie Taheri Sanjani.

² In terms of deprivation indicators, according to OECD, 13 percent of poor households spend more than 40 percent of their income on housing costs, and 47 percent of people would be at risk of falling into poverty if they had to forgo three months of their income. [How's Life in Ireland? | How's Life? 2020 : Measuring Well-being | OECD iLibrary \(oecd-ilibrary.org\)](#)

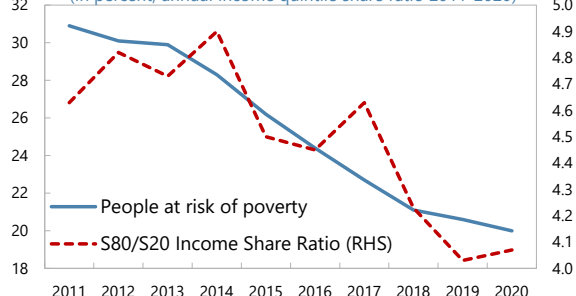
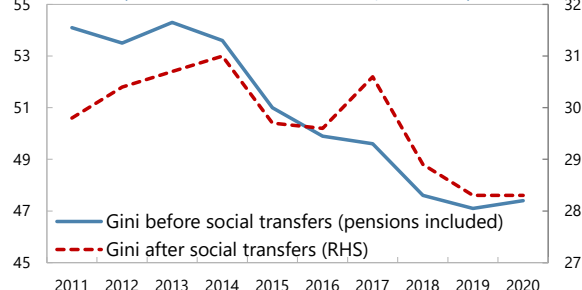
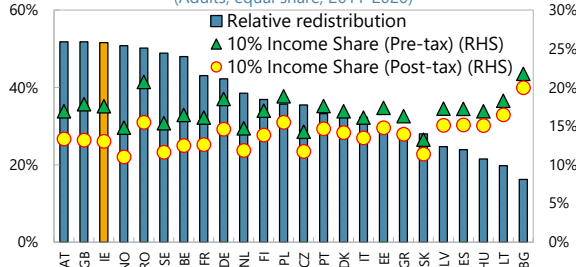
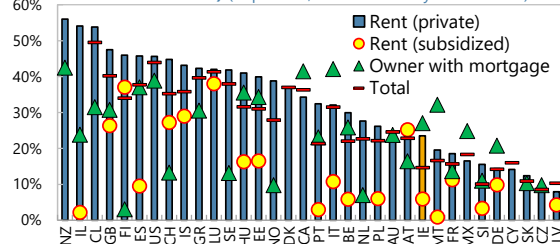
³ Please see footnote 3 in the figure 1 for definition of the "housing cost over burden" indicator of OECD.

⁴ Please see "affordable Housing Database" of OECD: [Housing conditions - OECD](#)

⁵ [OECD Better Life Index](#), contains Ireland ranking among OECD countries for various indicators.

⁶ [OECD Regions and Cities at a Glance 2020 \(oecd-ilibrary.org\)](#)

⁷ [gov.ie - A Well-being Framework for Ireland - Join the Conversation \(www.gov.ie\)](#)

Figure 1. Ireland: Inequality, Poverty, and Social Transfers**Ireland: People at Risk of Poverty and S80/S20 Income Share Ratio**
(In percent, annual income quintile share ratio 2011-2020)**Ireland: Gini Coefficients of Equivalent Disposable Income**
(Measured on a scale of 0 to 100, 2011-2020)**10% Income Share (pre-tax and post-tax) and Relative Redistribution**
(Adults, equal share, 2011-2020)**Housing cost overburden rate among low-income owners (with mortgage) and tenants (private rent and subsidized rent)**
(In percent, 2019 or latest year available)

Source: Eurostat, OECD, World Inequality Database (WID), and IMF staff calculations.

Notes: 1) Top charts (RHS and LHD) are constructed using the inequality data from EU-SILC Eurostat database.

2) Bottom LHS chart is from WID database. The progressivity of the tax system is measured by the difference between pre-tax income share and post-tax income share of top 10 percent share, using "World Inequality Database". The higher is this metric the better is the tax system. The relative redistribution is a synthetic index computed as $100 \times [1 - (\text{post-tax 10 percent income share} / \text{pre-tax income 10 percent share})]$.

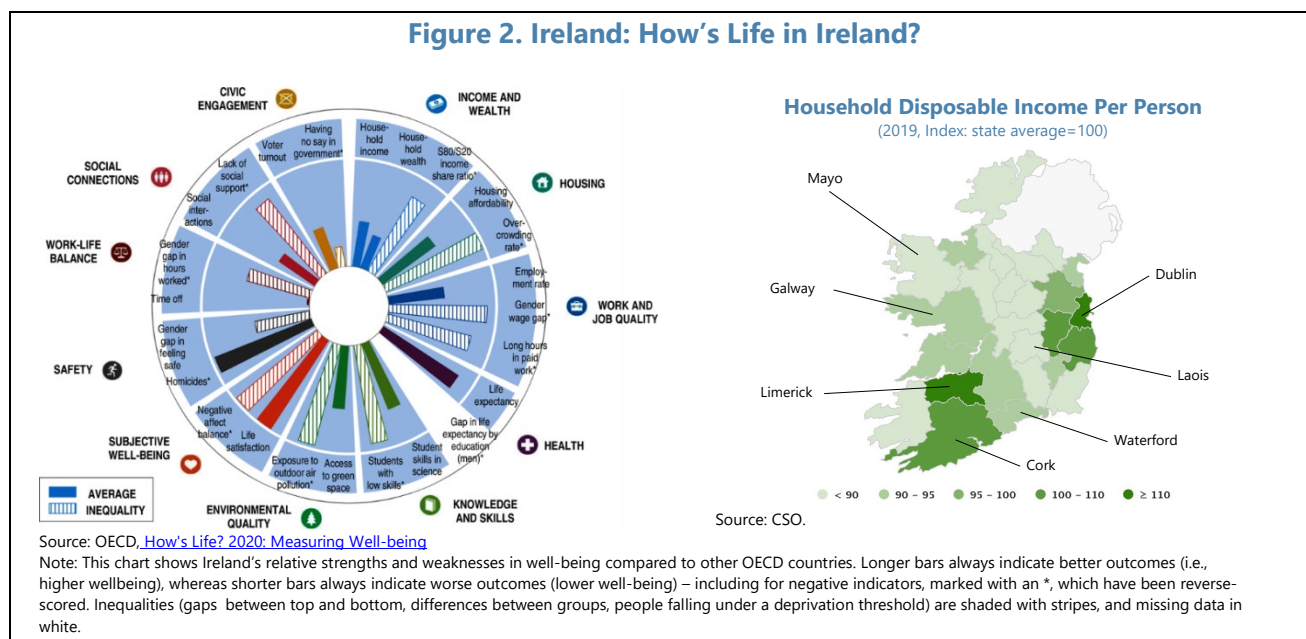
3) Bottom RHS chart is based on the OECD housing affordability database. It shows share of population in the bottom quintile of the income distribution spending more than 40 percent of disposable income on mortgage and rent, by tenure, in percent, 2019 or latest year available calculations based on European Union Statistics on Income and Living Conditions (EU SILC) survey 2019 except for Iceland, Ireland, Italy, and the United Kingdom (2018).

3. However, there is some heterogeneity across the population.⁸ Measures of income poverty and material deprivation point to a high incidence of low living standards among single parents, their children, and those of working age in households without anyone in paid work. Women and young adults are the most vulnerable groups in the labor market, with high procyclicality of their employment and labor force participation rate.⁹ Furthermore, employment of young adults has not recovered post-GFC, i.e. the employment rate of those people in the age

⁸ See ESRI (May 2021), "[Poverty, Income Inequality and Living Standards in Ireland](#)"

⁹ England et al (2020) assesses that although there has been dramatic progress towards gender equality, this progress has slowed down in recent decades in some respects stalled entirely.

group of 20–24 years old stood at 71.1 percent (s.a.) in 2022Q1 relative to the peak of 81.7 percent in 2007Q1.

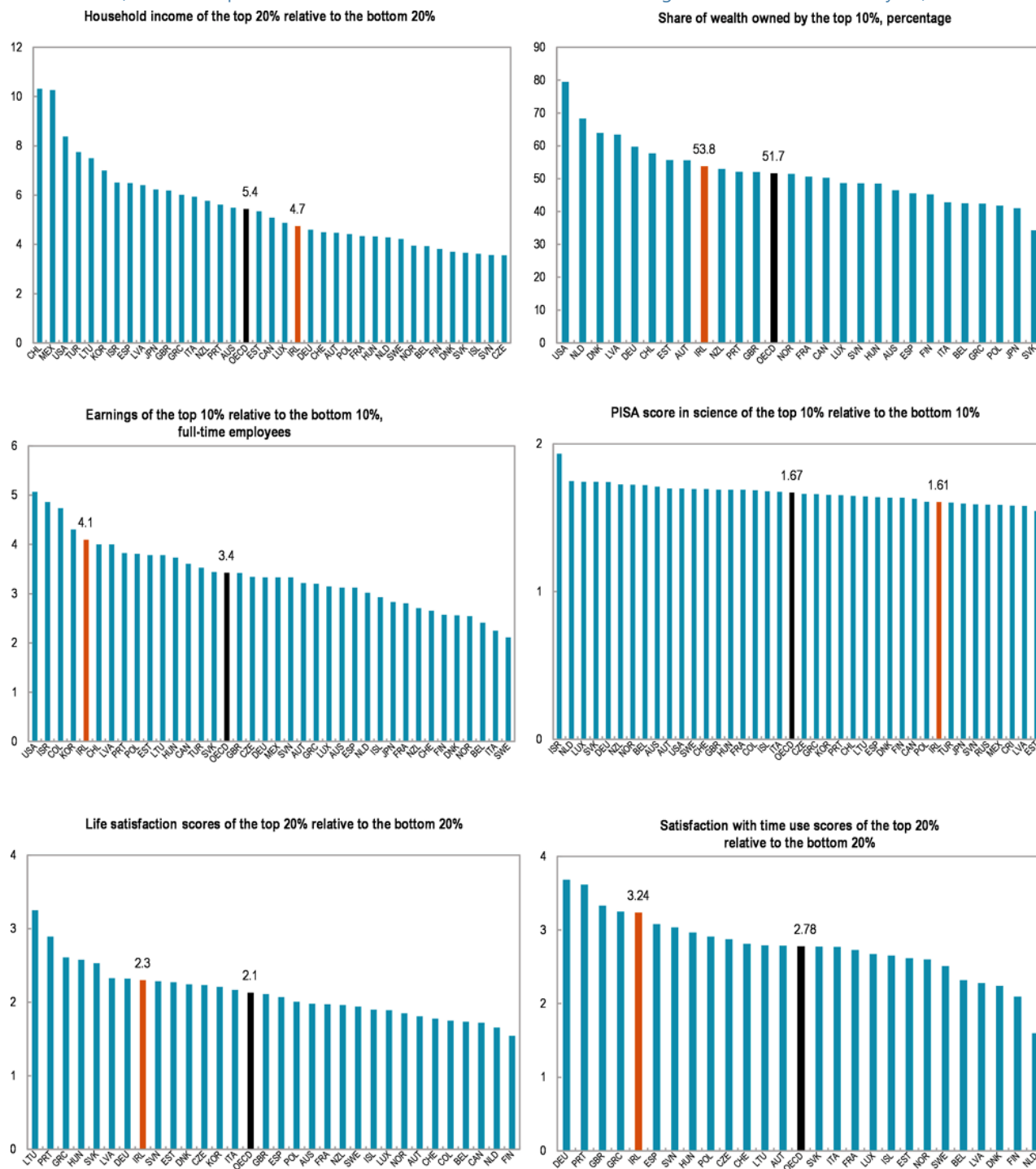


4. Low-income households and young adults are facing housing affordability challenges.

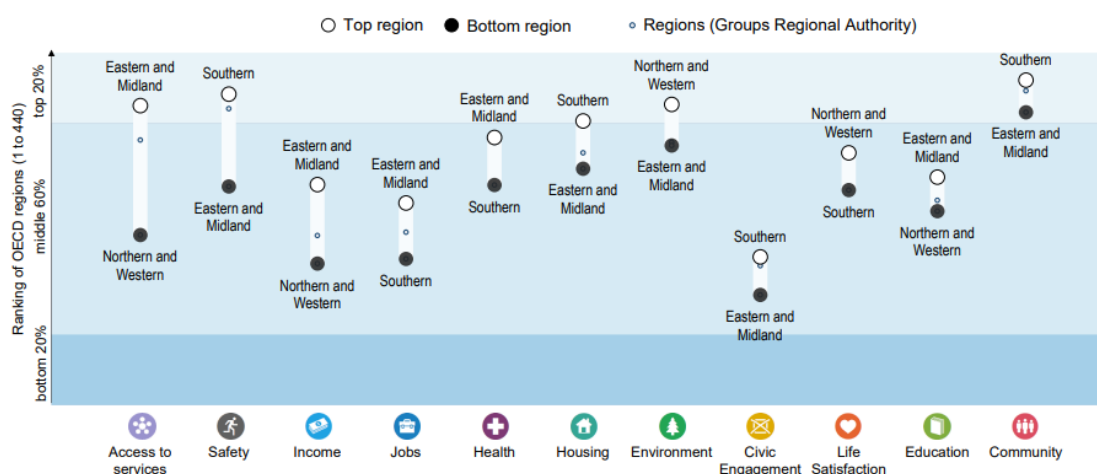
While housing costs over-burden for low-income households in Ireland is among the lowest in the OECD and house price levels across the country are broadly in line with economic fundamentals for a median dual-earning households who are a first-time buyer (FTB); the affordability challenges for the low-income households or single-earner households are greater, particularly in the Dublin, GDA, Cork, and Galway areas. The pandemic has worsened housing affordability as public health restrictions had an adverse impact on residential construction while significant household savings, predominantly among wealthier households, put upward pressure on housing prices. To reduce the affordability gap, several subsidy schemes for FTBs have been introduced in recent years, such as the Help to Buy incentive and the Rebuilding Ireland Home Loan. However, some of these measures further stimulate demand. Ultimately supply-side policies to increase the housing stock and the provision of alternative rental models, such as social rental housing, are needed to improve housing affordability for vulnerable groups. Fiscal and structural policies should work hand in hand to make land available for construction and increase the housing supply.

Figure 3. Ireland: Inequalities Between Top and Bottom Performers in Ireland

(Vertical inequalities for selected indicators of current well-being, 2018 or latest available year)

Source: OECD, [How's Life? 2020: Measuring Well-being](#)

Note: For all figures, countries are ranked from left (most unequal) to right (least unequal).

Figure 4. Ireland: Regional Gap in Well-being Indices

Source: OECD ([Regions and Cities at a Glance 2020 \(oecd.org\)](https://www.oecd.org/publications/regions-and-cities-at-a-glance-2020/)).

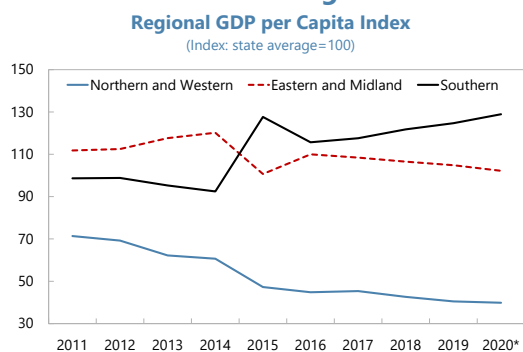
Note: Relative ranking of the regions with the best and worst outcomes in the 11 well-being dimensions, with respect to all 440 OECD regions. The eleven dimensions are ordered by decreasing regional disparities in the country. Each well-being dimension is measured by the indicators in the table below.

5. Regional disparity in Ireland continues to rise. The country shows large regional differences in access to services. The Eastern and Midland region is in the top 20 percent of OECD regions, and the Northern and Western regions rank at the median of the 440 OECD regions¹⁰. Dublin continues to remain the only region with higher per capita disposable income than the state average during the entire 2010–2019 period, while the Border and Midlands regions continue to earn significantly less than the state average. In contrast, the Mid West, Southwest, and Mid East regions showed incomes on par with the state average during the same period. From a sectoral perspective, Eastern and Midland rank highest in IT services and surpass other regions in most of the sectoral output, except in mining and manufacturing that southern region ranks the highest. While regional differences in labor market indicators are small, the Southeast region's condition is below the state average.

Composition of Regions					
Northern & Western		Southern		Eastern and Midland	
Border	Cavan	Mid-West	Clare	Dublin	Dublin City
	Donegal		Limerick		DunLaoghaire-Rathdown
	Leitrim		Tipperary		Fingal
	Monaghan				South Dublin
West	Galway	South-East	Carlow	Mid-East	Kildare
	Mayo		Kilkenny		Louth
	Roscommon		Waterford		Meath
			Wexford		Wicklow
		South-West	Cork	Midland	Laois
			Kerry		Longford
					Offaly
					Westmeath

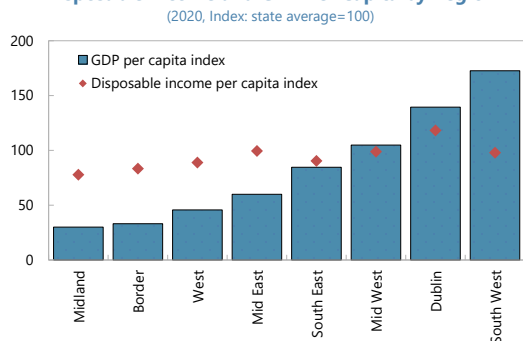
Source: County Incomes and Regional GDP 2019 - CSO - Central Statistics Office

¹⁰ [Regions and Cities at a Glance 2020 \(oecd.org\)](https://www.oecd.org/publications/regions-and-cities-at-a-glance-2020/)

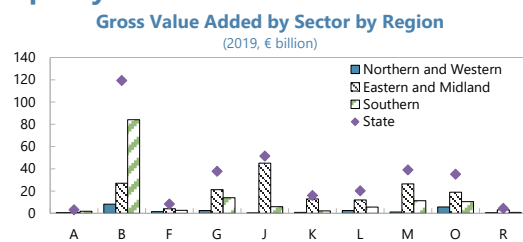
Figure 5. Ireland: Regional Disparity in Ireland

Source: CSO.

Notes: 2020 data are preliminary.

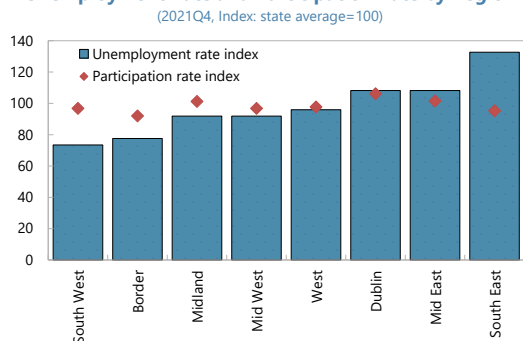
Disposable Income and GDP Per Capita by Region

Sources: CSO and IMF staff calculations.



Source: CSO.

Notes: A: Agriculture forestry and fishing. B: Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities. F: Construction. G: Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service. J: Information and communication. K: Financial and insurance activities. L: Real estate activities. M: Professional, scientific and technical activities; administrative and support service activities. O: Public administration and defence; compulsory social security; education; human health and social work. R: Arts, entertainment and recreation, repair of household goods and other services.

Unemployment Rate and Participation Rate by Region

Sources: CSO and IMF staff calculations.