



JOBS KILL ZONE REPORT 2021

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Introduction and Bio: Felim O'Rourke

There is compelling evidence that policymakers, senior civil servants, politicians and policy advisors lack understanding of the situation of low-income workers and have allowed the complex interaction of state policies to develop in a way that has created a *Jobs Kill Zone* affecting low-income workers. We have all come to realise, during the COVID-19 crisis, that low-income workers play vital roles in our community and it behoves policymakers to address this issue.

The 2020 Exchequer Returns¹ show that the major job losses and temporary layoffs caused by COVID-19, affecting over 20% of all workers, did not have a major impact on income tax receipts. Income tax receipts for 2020 only fell by 1% in 2019 and “PAYE and self-employed receipts significantly exceeded initial expectations”² of the Department of Finance. This indicates that most of the workers affected by COVID-19 did not pay very much income tax.

This ISME research document examines the interaction of policies on tax and other deductions, social welfare, health and housing for workers in the income range from €18k to €30k per annum. We have made working so unattractive for many persons in this income zone that we can call it the Jobs Kill Zone. We have done this through the deduction of USC, PRSI and income tax and benefit loss, such as losing the medical card for working at less than “dole” entitlement and the child element of unemployment assistance.

We will illustrate this by looking at the situation of a single person working at, or just above the minimum wage and a worker with an adult dependent and 3 children, again working at, or just above the minimum wage. All figures are for the year 2020.

Felim O'Rourke is a Sligo based economist. He has worked in business and education in Ireland and the Gulf region. He has a particular interest in the position of low-income workers, the interaction of taxation and welfare and the position of marginalised communities.

¹ [2020 Exchequer Returns, 5th Jan 2021](#)

² [2020 Exchequer Returns, 5th Jan 2021](#)

Executive Summary

There is strong evidence to suggest that the interaction of our tax and welfare policies penalises low-income workers with earnings between €18k and €30k per annum so severely that it undermines their economic rationale for working. We call this income region the Jobs Kill Zone.

Persons with low market skills and therefore low earning potential, such as early school leavers, could be expected to react to this Jobs Kill Zone by either dropping out of the labour market or adjusting their work practices to minimise taxation. Both appear to be occurring.

The policy failure that has allowed the Jobs Kill Zone to develop can be explained by a lack of understanding of the private sector labour market by policy-makers. Particularly misleading is the focus on average earnings of all workers. The 2018 figure for average (mean) earnings of all workers is 41.5% higher than the earnings of typical (median) private sector workers.³

We suggest policy changes in four areas.

- 1 Adjusting PRSI to eliminate the very high marginal PRSI rate on additional income in the PRSI *Transition Zone* from €18,304 to €22,048 per annum.
- 2 Set the basic rate for qualifying for the medical card at more than 30% above the comparable Jobseekers assistance rate.
- 3 Replace the child element in Jobseekers payments and all other welfare schemes by substantially increasing Child Benefit, phasing out Working Family Benefit, and at the same time making the Child Benefit taxable.
- 4 Significantly increase the income thresholds for access to social housing. Reform or remove the link between income and local authority rent.

These four policy changes taken together would eliminate the Jobs Kill Zone and significantly improve the incentive to work among low-skill workers. We believe that there are strong economic, social and moral arguments in favour of changing the policies which have created the Jobs Kill Zone. We believe that our conclusions and recommendations are evidence-based and that the benefits from these changes outweigh the costs involved.

³ [Earnings Analysis using Administrative Data Sources 2018 \(tables 4.2/4.3\)](#)

Low paid workers without dependents

A person working at the 2020 national minimum wage⁴ of €10.10 per hour for 39 hours per week had gross earnings €393.90 per week or €20,483 per annum for year 2020. This person, if single, paid €558 in PRSI, €229 in USC and €797 in income tax leaving a net income of €18,899 as explained below.

The calculation of PRSI for low-income workers is extraordinarily complex.⁵ This is calculated on a weekly basis. There is no PRSI for ordinary workers (Class A) on earnings below €352 per week. PRSI is charged at 4% on earnings above €352.01 per week but there is a tapering PRSI credit on earnings between €352.01 and €424 which reduces the amount of PRSI charged.

This means that there are effectively three PRSI zones. There is an income zone below €352 per week where no PRSI is charged, a zone between €352.01 and €424 per week which we will call the Transition Zone and above €424 per week where PRSI is charged at 4% on all earnings.

The PRSI algorithm in the Transition Zone is extremely complex. In the Transition Zone PRSI is charged at 4% on earnings but this is offset by a PRSI credit. The maximum PRSI credit of €12 is reduced by one-sixth of earnings in excess of €352.01 per week. The algorithm for calculating the weekly PRSI charge in the Transition Zone can be expressed in the below formula:

$$PRSI = Earnings * 0.04 - 12 + (Earnings - 352.01)/6.$$

The PRSI Guide provides a worked example of the calculation of the PRSI credit and PRSI charge for weekly earnings of €377. This worked example is shown in Figure 1 below.

We have made all our calculations in this document, including PRSI, on an annual basis. There is no PRSI on gross income below €18,304 per annum (€352 per week) and PRSI is charged at 4% on all gross income above €22,048 per annum (€424 per week). Between €18,305 and €22,048 there is what we call the PRSI Transition Zone. The formula for annual PRSI in the Transition Zone is:

$$PRSI = Gross Income * 0.04 - 624 + (Gross Income - 18,305)/6.$$

⁴ [National Minimum Wage 2020](#)

⁵ [PRSI contribution rates and user guide from 1 January 2020](#)

Figure 1

The below table is from page 2 of the PRSI contribution rates and user guide 2020⁶

<u>PRSI Credit:</u>	
Maximum PRSI Credit	€12.00
One-sixth of earnings in excess of €352.01 (377.00 - 352.01 = 24.99 / 6)	(€4.17)
Reduced PRSI Credit	€7.83
Calculate the PRSI @ 4%	€15.08
Deduct the reduced PRSI Credit on €377 from the 4% PRSI charge	€7.83
2020 Weekly PRSI Charge	€7.25
Note: The calculation of the PRSI charge, and accordingly the PRSI Credit is based on weekly earnings.	

The formula for calculating the PRSI charge means that the PRSI charge for persons who increase their earnings by a small amount above the PRSI threshold pay a very high rate of PRSI on their marginal earnings. In the worked example from the PRSI guide, in figure 1 above, the worker has earned €377 per week or €25 per week above the €352 PRSI threshold. On this €25 per week the worker pays €7.25 or 29% of the additional earnings.

In simple terms a worker pays nothing in PRSI if s/he only earns €18,304 but pays €882 in PRSI if s/he earns €22,048. Earning the additional €3,744 (€22,048 - €18,304) is penalized by having to pay €882 in PRSI. This means that the marginal rate of PRSI over the Transition Zone is 23.6% (€882/€3,744) and we have used this figure in Table 1.

USC is simple compared with PRSI. In 2020 USC was deducted at 0.5% on income up to €12,012, at 2% then on additional income to €20,484 and at 4.5% on additional above €20,485.⁷ The minimum wage full-time worker with gross earnings of €20,483 paid €229 in USC.

This single worker had a 20% tax band of €35,300 and a tax credit of €3,300 (*single person tax credit and PAYE tax credit*). This worker paid no income tax on earnings up to €16,500 per annum and paid tax at 20% on earnings from €16,500 to €35,300 per annum. This means that

⁶ [PRSI contribution rates and user guide from 1 January 2020](#)

⁷ [Revenue, Universal Social Charge \(USC\)](#)

the full-time single minimum-wage worker, earning €20,483 in 2020, paid income tax at 20% on €3,988 or €797.⁸

This means that the State took €1,584 in tax-type deductions (over €30 per week) from the single minimum-wage worker doing a 39-hour week for 52 weeks.

What is even more amazing is that the single low-income worker, working full-time at the minimum wage, suffered tax-type deductions of 48.1% on marginal income that they earned because in addition to paying USC at 4.5% and income tax at 20%, they were paying PRSI at the Transition Zone marginal rate of 23.6%⁹ (*Local Authority (LA) rent can be an additional State deduction from income if the person is getting LA housing support*).

The income limit (*qualifying financial threshold*) for the medical card is composed of a basic rate and allowable expenses.¹⁰ Allowable expenses include rent and travel-to-work costs (*discussed below*). The basic rate for a single worker living alone is €9,568 per annum. The medical card acts as an entitlement gateway to a range of other benefits such as free school transport, reduced rate of USC, free state exam entry, etc.¹¹ Up until 2006 the basic rate was set by the government at budget time and was kept at substantially above the relevant Jobseeker's Allowance (JSA) rate. The basic rate has been set by the HSE since 2006 and has not been increased since then. The JSA rate has risen substantially since 2006. For example, the JSA rate for a family with 3 children rose by 36% and is now substantially above the medical card basic rate. All persons claiming JSA automatically qualify for the medical card but persons earning from work even less than the "dole" may not qualify for the medical card.

There is constant reference in discussion of health policy to our two-tier health system of private health insurance and the medical card.¹² There is a third category that the State does not acknowledge and has never counted that seems to be largely ignored in public discussion of health policy. There were 1.097 million persons or 22.3% of the population without either private health or the medical card at the end of 2020.^{13, 14} Most high-income persons have private health and all persons depending on social welfare automatically qualify for the medical card. We can assume that the vast majority of the 1.1 million with no health cover are low-income workers and their dependents. Many of these workers with no health cover are only

⁸ [Revenue, Tax rates, bands and reliefs](#)

⁹ [PRSI contribution rates and user guide from 1 January 2020](#)

¹⁰ [HSE, Medical Card Application Process](#)

¹¹ [Other Benefits for which the Medical Card acts as an "Entitlement Gateway"](#)

¹² [Irish Times Editorial](#)

¹³ This is our Estimate based on subtracting the Number of Persons covered by Private Health Insurance (Health Insurance Authority) and the Medical Card (HSE) from the Total Population (CSO).

¹⁴ [Journal.ie](#)

confronted with the implications of this when or if they face serious health issues such as cancer as highlighted by the Irish Cancer Society.¹⁵

Some costs such as rent and travel-to-work costs are taken into account by the HSE in determining whether an applicant is entitled to the medical card. In the HSE guide to the medical card¹⁶ they show how a low-income worker could qualify for the medical card. The example given shows the worker paying €9,600 annually in rent (52% of net income for the minimum wage worker). This level of rent, however, is way above the maximum rent allowed under the Housing Assistance Program (HAP) operated by local authorities (*€5,520 per annum in Sligo*).¹⁷ A low-income worker paying this high rent would not qualify for housing assistance.

A single person working full-time at the minimum wage qualifies for housing assistance from the LA as her/his net income is below the LA housing limit (Sligo) of €25,000 for a single person.¹⁸ If this single worker gets accommodation directly from the LA or through HAP s/he will pay the minimum annual rent of €1,144 plus 20% of net income above €9,360 per annum, bringing the total annual rent to €3,049 (Sligo).¹⁹ The link between council rent and income means an effective LA tax of 10.4% on top of central government tax of 48.1% on any additional income. Therefore, the total tax-type deductions on a single low-income worker in LA-assisted housing is 58.5% on any additional income such as the recent increase in the minimum wage.

The employee experience of taxation varies depending on the type of remuneration they receive. The majority of high-skill employees, including most public servants, are paid by salary. In this case, it is appropriate to use average tax rates to analyse the impact of taxation and other deductions on employees, as this is a measure of the tax burden that they experience. The concept of a “tax wedge” for example, is based on the average rate of tax. On the other hand, most low-skill workers are paid an hourly wage and experience the impact of taxation quite differently. Waged employees are paid based on the number of hours worked and often have some control over this. These workers can account for the net income they could make from additional hours and adjust their working hours appropriately. As such, it is appropriate to use marginal tax rates to assess the impact of tax and other deductions on low-skill workers, as they reflect the incentives to earn, save, invest or spend.

Table 1 summarises year 2020 government deductions from additional income for a single worker at different earning ranges. These are the marginal rates for USC, PRSI and income tax

¹⁵ [Irish Cancer Society](#)

¹⁶ [HSE, MC Application Process](#)

¹⁷ [Housing Assistance Payment Information \(HAP\)](#)

¹⁸ [Sligo County Council Housing](#)

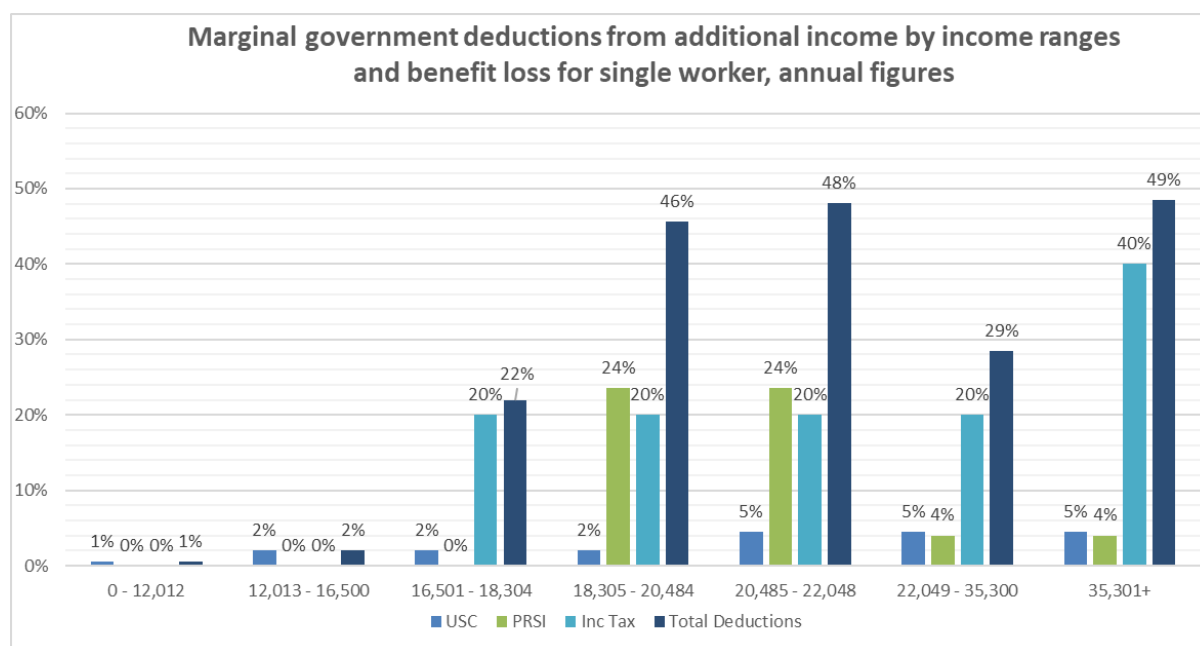
¹⁹ [Sligo County Council Differential Rent Scheme](#)

at different income ranges. LA rent is not included. The Fuel Allowance benefit loss is also not included.

Table 1: *Marginal-rate deductions* from additional income and benefit loss for single worker by income ranges, annual figures for 2020.

Income Range €	USC	PRSI	Income Tax	Combined Deductions	Benefit Loss
0 - 12,012	0.50%	0%	0%	0.50%	MC Income Limit: 9,568
12,013 - 16,500	2.00%	0%	0%	2.00%	
16,501 - 18,304	2.00%	0%	20%	22.00%	
18,305 - 20,484	2.00%	23.60%	20%	45.60%	
20,485 - 22,048	4.50%	23.60%	20%	48.10%	
22,049 - 35,300	4.50%	4%	20%	28.50%	LA Housing Limit: 25,000
35,301+	4.50%	4%	40%	48.50%	

Figure 2: Graphical representation of *marginal-rate* deductions from single worker by income ranges (2020).



The unemployment option for the single worker in 2020 gave a JSA of €10,556 per annum.²⁰ The JSA acts as an entitlement gateway for both the Winter Fuel Allowance of €686 per annum (€24.50 per week for 28 weeks)²¹ and the medical card. The medical card then acts as a gateway to the range of additional benefits listed above. The unemployment option also gives entitlement to LA housing. It may be possible for such a worker to supplement the “dole” through the informal economy.

Overall, it is clear that employment for low-skills workers is only financially attractive if they are content with working at the minimum wage and are not concerned with payment for medical costs or need LA housing assistance. If they get increases above the national minimum wage, then they lose either 48.1% or 58.5% in State deductions and they are not entitled to the medical card and are very unlikely to be able to pay for private health insurance or private housing.

Low paid workers with families

Workers with families are also impacted by the complex interaction of policies on tax and other deductions, social welfare, health and housing.

We will illustrate this by looking at the situation of a worker with an adult dependent and 3 children under 12, working at or just above the minimum wage. All figures are for 2020.

This person working at the 2020 minimum wage for 39 hours per week had gross earnings of €20,483, paid €558 in PRSI, €229 in USC and €0 in income tax leaving a net income of €19,696.^{22, 23, 24}

The PRSI and USC deductions for this worker with adult dependent and 3 children were the same as for the single worker discussed above. This breadwinner with a spouse and 3 children had a 20% tax band of €44,300 with a tax credit of €4,950 and could earn a gross income of €24,750 before starting to pay income tax.²⁵ This means that the State took €787 in tax-type deductions (over €15 per week) from this minimum wage worker, with an adult dependent and 3 children under 12, doing a 39-hour week for 52 weeks.

This full-time worker suffered state deductions of 28.1%, (23.6% Transition Zone PRSI and 4.5% USC) on any additional income above the minimum wage until gross income reached €22,048.

²⁰ [Jobseeker's Allowance](#)

²¹ [Winter Fuel Allowance Eligibility](#)

²² [PRSI contribution rates and user guide from 1 January 2020](#)

²³ [Revenue, Universal Social Charge \(USC\)](#)

²⁴ [Revenue, Tax rates, bands and reliefs](#)

²⁵ [Revenue, Tax rates, bands and reliefs](#)

Then the Transition Zone PRSI disappears reducing state deductions to 8.5% (4% PRSI and 4.5% USC) on additional income until gross income of €24,750 when State deductions jump to 28.5% (4% PRSI²⁶, 4.5% USC²⁷ and 20% tax²⁸) on any further additional income.

The income limit for the medical card for this family of 2 adults and 3 children was €19,942 net income and so this family got the medical card while the breadwinner worked. Any significant increase in income, however, would threaten the medical card. This family also qualified for LA housing while their net income remained below €28,750.²⁹

The difference in State support between the children of workers and the children of those relying on social welfare is very important for low-paid workers. All parents of children, whether working or depending on social welfare, are paid Child Benefit. This was €1,680 per child under 12 years in 2020, so families with 3 children got €5,040 in total in Child Benefits, whether working or unemployed. Persons depending on JSA, however, got €1,872 per child (*under 12*) per annum (child element in JSA). This costs an estimated €70m per annum in social protection.³⁰ Therefore, this family received €5,616 extra each year if the breadwinner was unemployed but received nothing extra linked to their child dependents if the breadwinner was working.³¹

This is illustrated by the table below which shows the impact of the different treatment of children of workers and children of unemployed persons. This table is based on a full-time minimum wage worker (breadwinner) with an adult dependent and varying number of children below 12 years old.³²

²⁶ [PRSI contribution rates and user guide from 1 January 2020](#)

²⁷ [Revenue, Universal Social Charge \(USC\)](#)

²⁸ [Revenue, Tax rates, bands and reliefs](#)

²⁹ [HSE, Medical Card Application Process](#)

³⁰ [Statistical Information On Social Welfare Services 2019](#)

³¹ [Child Benefit Rules](#)

³² [Jobseeker's Allowance](#)

Table 2: Income from Jobseekers and full-time minimum wage work for families with children

Number of Children	Jobseekers Allowance	Net Income (Min Wage, Full-time)
0	€17,560	€19,695
1	€19,432	€19,695
2	€21,304	€19,695
3	€23,176	€19,695
4	€25,048	€19,695
5	€26,920	€19,695

Note: Child Benefit as a universal payment is not included in table 2.

A family with 3 children, if the breadwinner chose to remain unemployed, s/he received €23,176 in JSA in 2020 but only €19,695 net income from working full-time at the 2020 minimum wage. If the wage rate was at the national living wage of €12.30 the breadwinner would only take home €22,980 - still less than the “dole.”³³

This means that the interaction of State policies strongly discourages low-skills families with children from working, especially larger families. The State has introduced several schemes to address this issue including the Working Family Payment (WFP),³⁴ formerly known as the Family Income Supplement (FIS), the Back-to-Work Family Dividend³⁵ and the HSE Medical Card Retention Scheme.³⁶

Applying for the WFP is very complex.³⁷ Additional earnings are strongly discouraged by deductions of 71.5% on any additional earnings (USC of 4.5%, “transitional PRSI” of 23.6% and 60% reduction (based on net income in the WFP- with 1 year delay) for a fulltime minimum wage worker. The WFP is very generous but also highly complex. In 2017 the average payment per child under WFP was €3,300 but only 60,000 families benefited.³⁸

The Back-to-Work Family Dividend allows families moving from unemployment to work to retain the child element of the unemployment assistance for 2 years but only 5,345 persons

³³ [Jobseeker’s Allowance](#)

³⁴ [Working Family Payment](#)

³⁵ [Back to Work Family Dividend](#)

³⁶ [HSE Scheme for retaining the Medical Card](#)

³⁷ [WFP Application Form](#)

³⁸ [Parliamentary Question 3036-18](#)

returning to work benefited from this scheme in October 2019.³⁹ Since this is a 2-year scheme it is likely that there were only about 3 thousand new beneficiaries in 2019.

The Medical Card Retention Scheme allows a person returning to work after a period of unemployment to retain the medical card for 3 years. The HSE response to our FOI Request for information on the number of persons benefiting from the Scheme (FOI 2627) was that they do not have the information requested.

These schemes seem to assume that workers taking up employment will achieve rapid pay increases to offset the loss of the child element of the JSA and the medical card. Automatic increments are a feature of the public sector where workers such as teachers, nurses and Gardai, whose starting salaries are all above the Job Kill Zone, have annual increments which increase their pay substantially. Annual increments increase earnings by more than 56% for Nurses,⁴⁰ 72% for Gardai⁴¹ and 83% for teachers⁴² without any promotion. Low skills workers in the private sector do not normally have such incremental wage increases.

The impact of the interaction of state policies can be seen clearly in the labour market participation rate for early school leavers in the Labour Force Surveys.⁴³ Early school leavers are defined as those who leave education without even having achieved the Junior Cert level, ISCED levels 0, 1 and 2.⁴⁴ Labour market participation means either working or *actively seeking work* (actively seeking work means that they must have taken some concrete action, such as applying for a job, within the previous 4 weeks. Being registered for UA or UB does not necessarily mean that the person is actively seeking work⁴⁵ in terms of the ILO definition).

Between Quarter 4 of 2010, when the Irish economy was in deep recession, and Quarter 4 of 2019, when our economy was booming, the labour market activity rate for early school leavers fell from 49.1% to 42.2%. This is lower than the eurozone average for early school leavers at 54.7%, which is also unsatisfactory. The best performance in Europe in terms of labour market activity by early school leavers is by Iceland where 71.9% of early school leavers were active in Quarter 4 of 2019.⁴⁶

³⁹ [DEASP Annual Statistical Report 2019 - Table E4](#)

⁴⁰ [HSE Consolidated Pay Scales](#)

⁴¹ [Garda Pay Scale, Garda.ie](#)

⁴² [Teachers Salary Scale, Dept of Education](#)

⁴³ [Eurostat LFSQ_ARGAED](#)

⁴⁴ [International Standard Classification of Education, 2011](#)

⁴⁵ [ILO Definition used by CSO](#)

⁴⁶ [Eurostat LFSQ_ARGAED](#)

The very low employment rates for Irish early school leavers were confirmed by the Educational Attainment Thematic Report for 2019.⁴⁷

The labour market activity rate by contrast for third level graduates in Ireland for Quarter 4 of 2019 was 88.7%, slightly higher than the eurozone average of 88.4%.⁴⁸

The fall in labour market participation, while total employment was growing rapidly, cannot be explained by job shortages. The way that the interaction of state policies impact on low-income workers offers a credible explanation. We have created a Jobs Kill Zone for workers earning between €18k and €30k per annum and therefore should not be surprised that low-skills workers are opting out of the workforce.

Housing

Housing is, in most cases, the largest monthly outlay for workers, and where purchased, the largest financial transaction workers will ever undertake. The average house price in Ireland in Q1 2021 was €275,751.⁴⁹

This is a multiple of 6.3 times the average industrial wage of €43,939, and 13.5 times the annual National Minimum Wage of €20,483 (2020).

The current income limits for people wishing to avail of social housing supports are set by the Department of Housing, Local Government and Heritage⁵⁰ and are annexed at Appendix I. Broadly, this sets the income limit for a single person seeking social housing at €35,000 in the conurbations, €30,000 regionally, and €25,000 in rural areas.

	Single Person Income Limit	As A Percentage of Minimum Wage	As A Percentage of Average Industrial Wage (Q4 2020)
Band 1	35,000	171%	80%
Band 2	30,000	146%	68%
Band 3	25,000	122%	57%

These income limits, relative to the cost of housing in Ireland, *are sufficient reason on their own* for many people to decline higher rates of pay, or indeed to decline to work at all. We are

⁴⁷ [Educational Attainment Thematic Report](#)

⁴⁸ [Educational Attainment Thematic Report](#)

⁴⁹ [Daft.ie House Price Report Q1 2021](#)

⁵⁰ [Social Housing Income Limits](#)

aware of many cases where individuals have declined a job, as well as where workers have declined a promotion, purely because of the impact on their ability to remain on the social housing list. This is unsustainable.

Explaining the Policy Mismatches

There are several reasons why this situation has been allowed to develop. The first reason is that the interaction of these policies falls outside the domain of both tax experts and social policy experts. Tax experts only focus on taxation and social policy experts focus on social policy. The interaction of policies is very complex and has been largely neglected. The interaction of these policies is most important for low-skills workers, but they do not have a strong voice.

The focus of our economic strategy for the last 30 years has been on high-tech and having a highly educated workforce to drive knowledge-based industries. In this we have been highly successful, and as of Quarter 4 2019, we have the highest proportion of graduates in the workforce of all 27 EU countries, just slightly above Luxembourg by 0.21%.^{51, 52} These knowledge-based industries have been resilient during the COVID-19 crisis. The downside of the emphasis on higher education is that we have not had a focus on the position of early school leavers.

Policy-makers including politicians, senior civil servants and policy analysts have incomes that are multiples of the incomes available to low skills workers and therefore rely on CSO data on incomes to guide them. The main source of information on earnings in Ireland is the CSO's earnings and labour costs quarterly⁵³ (ELC). Before COVID-19 all these ELCs used a standard format in their introductory notes. The ELC for Quarter 3 of 2019 stated that "average weekly earnings were €768.14 in Q3 2019, an increase of 3.4% from €742.75 one year earlier."⁵⁴ Each of the next five sentences also dealt with aspects of average earnings. Average earnings however can give a misleading picture of typical earnings, particularly private sector earnings.

A much deeper insight into earnings is given by the CSO's 'Earnings Analysis using Administrative Sources' (EAADS). The most recent EAADS is for 2018.⁵⁵ The primary source for EAADS is the Revenue Commissioner's data on employee annual earnings. Tables 4.2 and 4.3 (See Appendix II) give mean and median earnings per week for public and private sector workers. Tables 8.2 and 8.3 give mean and median annual earnings for public and private

⁵¹ [Employment by Educational Attainment Level - Quarterly Data- Tertiary Education](#)

⁵² [Employment and Activity by Sex and Age - Quarterly Data](#)

⁵³ [Earnings and Labour Costs Q3 2019](#)

⁵⁴ [Earnings and Labour Costs Q3 2019](#)

⁵⁵ [Earnings Analysis using Administrative Data Sources 2018 - CSO - Central Statistics Office](#)

sector workers. The annual figures however exclude “employees who worked for less than 50 weeks in the reference year.”⁵⁶ We have used the weekly data for the analysis below.

Table 4.2 of EAADS 2018 shows that mean earnings for all workers in 2018 was €740.72 per week with mean public sector earnings of €930.03 per week compared with mean private sector earnings of €687.57 per week.

Table 4.3 shows that median earnings for all workers in 2018 was €592.60 per week with median public sector earnings of €844.23 per week compared with median private sector earnings of €523.25 per week.

Most policymakers are public servants and are therefore more familiar with public sector pay scales. Median or typical public sector earnings at €844.23 per week were 61% higher than median or typical private sector earnings at €523.25 per week. If policymakers rely on CSO data on average earnings to give them insight into the earnings of private sector workers they will be misled. Mean earnings for all workers in 2018 at €740.72 per week were 42% higher than median private sector earnings of €523.25pw, which is the realistic comparator figure for private sector workers.

The private sector median earnings at €523.25 per week is equivalent to €27,209 per annum. This means that 50% of all private sector workers had earnings/gross income below €27,209. This means that well over 50% of private sector workers had earnings in or below what we are calling the Jobs Kill Zone where the complex interaction of state policies strongly discourages workers either from employment or working additional hours.

The treatment of low-income workers contrasts with the treatment of high earners and those depending on welfare. The failure to take into account the position of low-income workers is symbolized by the way many of them find themselves excluded from our two-tier health system of private health cover for high earners, supported with tax relief,⁵⁷ and the medical card for unemployed persons.

Our taxation system recognises that the level of personal taxation should not discourage work for high earners. The combination of USC at 8%, PRSI at 4% and income tax at 40% on high earners (over €70k per annum) only comes to 52%, yet low earners suffer much greater losses through deductions and benefit loss.^{58, 59, 60}

⁵⁶ [Earnings Analysis using Administrative Data Sources 2018- Annual Earnings](#)

⁵⁷ [Revenue Commissioners, Tax Relief for Medical Insurance](#)

⁵⁸ [Revenue, Universal Social Charge \(USC\)](#)

⁵⁹ [PRSI contribution rates and user guide from 1 January 2020](#)

⁶⁰ [Revenue, Tax rates, bands and reliefs](#)

Our welfare system is also very generous to persons who are unemployed compared with the way our welfare, taxation and health systems treat low-income workers. This is illustrated by the example above of the low-income breadwinner in a family with a dependent adult and three children under 12. On the “dole” in 2020 the “breadwinner” got €23,176 per annum. Working at the national minimum wage the breadwinner had only €19,695 net per annum from working full-time.⁶¹

The low and falling labour market participation rate that we had pre-COVID-19 is likely to be made even worse by the COVID-19 crisis. This is going to be massively damaging to our economy and society. COVID-19 should have taught us that “low status” workers play vital roles in our community.

We have marginalized communities of people with low educational achievement, low jobs skills, low employment participation and the social problems associated with intergenerational marginalization. In some of these communities, such as the Traveller Community where family size is large, the unemployment rate is over 80%.⁶² We cannot have integrated communities without involving most persons from these marginalized communities in work activities, as is outlined by the Department of Justice 2017 policy paper on the new migrant communities.⁶³

This means that there are strong moral, economic and social arguments in favour of addressing the issues linked to how our policies in welfare, health, housing and taxation interact in a way that is very unfair to low skills workers. As such, it is driving many persons with low labour market skills out of the labour market.

Recommendations

There are four policy changes that would go a long way to re-balancing the labour market for early school leavers, make the treatment of low paid workers fairer and encourage early school leavers and low skills workers to take up employment.

The first would be to change the income limit for the medical card by getting rid of the complex application process and the calculation of allowable expenses and have the income limit set at the Jobseeker’s rate plus at least 30%. This change would eliminate the need for the HSE’s Medical Card Retention Scheme and the income assessment for the medical card.

⁶¹ [History of Minimum Wage in Ireland](#)

⁶² [National Traveller and Roma Integration Strategy 2017](#)

⁶³ [Migrant Integration Strategy 2017 -2020](#)

The second change would be to restructure the calculation of PRSI to eliminate the Transition Zone marginal PRSI Rate of 23.6%. This could be done in a revenue neutral way but there would be losers as well as winners.

The third would be to eliminate the child element in unemployment assistance (and a host of other welfare payments which have a child element) and replace it by substantially increasing Child Benefit, while simultaneously making Child Benefit taxable. This change would leave the position of persons on unemployment assistance and other welfare payments and persons on the high tax rate largely unchanged. The only people who would benefit would be low-income working families. This change would eliminate the need for both the Working Family Benefit⁶⁴ (FIS, c.€390 million per annum) and the Back-to-work Family Dividend⁶⁵ (c.€20 million per annum).

There could be a difficulty with this in terms of persons working in Ireland and claiming Child Benefit for children living elsewhere in the EU.⁶⁶ This might be overcome by linking the payment to school attendance within the state or some other measure to prevent what might be seen as abuse.

The impact of the cost of accessing housing is, on its own, a significant motivating factor for people on low incomes. The only realistic way to address this is to significantly increase the income thresholds for access to social housing. The fact that local authority rent charges are also linked to the renter's income actively discourages local authority tenants from declaring further income. Reform or remove the link between income and local authority rent.

These four changes are practical and the implications of each in terms of cost and benefits is easy to predict. Together they would transform the position of low-income workers and create an incentive for early school leavers both to stay longer in education and to enter the labour market. These changes would benefit both marginalized communities and the overall community.

Lastly, we should point out that administering our social protection system costs the State more than €800 million annually. Simplifying our system of allowances and entitlements would ease this burden considerably.

⁶⁴ [Working Family Payment](#)

⁶⁵ [Back to Work Family Dividend](#)

⁶⁶ [Child Benefit Rules](#)

Appendix I: Social Housing Income Thresholds

**Table of maximum net income limits in
Social Housing Assessment Regulations, 2011, as amended.
2nd June 2016**

Band	City and County Councils	Maximum Net Income Threshold – single person	Maximum Income Threshold – 3 adult & 4 child family
1	Cork City	€35,000	€42,000
	Dublin City	€35,000	€42,000
	Dún Laoghaire Rathdown	€35,000	€42,000
	Fingal	€35,000	€42,000
	Galway City	€35,000	€42,000
	Meath	€35,000	€42,000
	South Dublin	€35,000	€42,000
	Kildare	€35,000	€42,000
	Wicklow	€35,000	€42,000
	2	Cork County	€30,000
Kerry		€30,000	€36,000
Kilkenny		€30,000	€36,000
Limerick City & County		€30,000	€36,000
Louth		€30,000	€36,000
Wexford		€30,000	€36,000
Waterford City & County		€30,000	€36,000
3		Carlow	€25,000
	Cavan	€25,000	€30,000
	Clare	€25,000	€30,000
	Donegal	€25,000	€30,000
	Galway County	€25,000	€30,000
	Laois	€25,000	€30,000
	Leitrim	€25,000	€30,000
	Longford	€25,000	€30,000
	Mayo	€25,000	€30,000
	Monaghan	€25,000	€30,000
	Offaly	€25,000	€30,000
	Roscommon	€25,000	€30,000
	Sligo	€25,000	€30,000
	Tipperary	€25,000	€30,000
	Westmeath	€25,000	€30,000

These income bands are expressed in terms of a maximum net income threshold for a single-person household, with an allowance of

- 5% for each additional adult household member, subject to a maximum allowance under this category of 10%, and
- 2.5% for each child, subject to a maximum allowance under this category of 10%.

Net income is defined in the Household Means Policy which also specifies what kinds of income are assessable for the purposes of the Regulations.

See the table below for examples of the limits for different sizes of household.

These limits are the current maximum thresholds set by the Minister in Regulations. Note that a housing authority may set a lower limit if appropriate.

	Single Person household	2 adults no children	One adult one child	One adult two children	Two adults 1 child	Two adults 2 children	Two adults 3 children	Two adults plus 4 or more children	Three adults plus 4 or more children
Band 1 €35,000	€35,000	€36,750	€35,875	€36,750	€37,625	€38,500	€39,375	€40,250	€42,000
Band 2 €30,000	€30,000	€31,500	€30,750	€31,500	€32,250	€33,000	€33,750	€34,500	€36,000
Band 3 €25,000	€25,000	€26,250	€25,625	€26,250	€26,875	€27,500	€28,125	€28,750	€30,000

**Social Housing Policy
June 2016**

Appendix II: Mean Vs Median Income

Table 4.2 Mean weekly earnings by NACE principal activity, public/private sector status and sex

NACE Principal Activity	Male			Female			Total		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	€	€	€	€	€	€	€	€	€
B-E Industry	899.11	912.74	942.78	734.74	751.94	788.00	853.58	868.28	899.22
F Construction	660.07	682.08	716.81	470.57	489.08	504.13	640.29	661.97	694.09
G Wholesale and retail trade; repair of motor vehicles and motorcycles	631.49	652.19	670.89	434.94	448.86	454.41	532.64	549.86	562.30
H Transportation and storage	731.22	740.53	768.44	605.44	614.04	636.34	703.01	712.04	738.69
I Accommodation and food services	377.58	388.33	396.52	291.98	299.31	305.94	331.84	340.64	347.64
J Information and communication	1,233.85	1,298.24	1,346.82	960.93	1,014.30	1,062.72	1,136.28	1,196.28	1,244.13
K-L Financial, insurance and real estate	1,251.43	1,280.14	1,331.04	825.69	850.75	883.32	1,020.51	1,049.18	1,091.92
M Professional, scientific and technical activities	1,028.37	1,050.42	1,075.78	713.92	733.30	756.50	868.35	890.36	916.76
N Administrative and support services	617.96	641.68	670.17	473.61	485.48	499.05	557.85	575.11	595.89
O Public administration and defence	968.04	992.27	1,007.48	798.62	813.98	830.51	894.77	914.49	930.07
P Education	822.25	843.93	877.76	712.09	734.01	752.85	742.99	764.87	787.47
Q Human health and social work	886.49	904.57	931.57	640.74	651.71	668.54	688.33	701.27	720.48
R-S Arts, entertainment, recreation and other service activities	556.74	564.25	570.52	376.83	384.14	394.75	447.19	454.55	462.54
Total	796.57	817.74	847.35	600.32	616.30	635.12	697.64	716.40	740.72
Of which:									
Public sector ¹	1,008.68	1,030.80	1,056.51	812.76	833.07	854.57	886.13	907.04	930.03
Private sector	754.56	775.33	806.13	521.29	534.63	552.77	644.75	662.47	687.57

¹Public sector including semi-state companies. See Background Notes for further information.

Source: CSO Ireland, Earnings Analysis using Administrative Data Sources

Table 4.3 Median¹ weekly earnings by NACE principal activity, public/private sector status and sex

NACE Principal Activity	Male			Female			Total		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	€	€	€	€	€	€	€	€	€
B-E Industry	707.24	717.70	740.27	592.94	606.51	628.68	673.13	684.71	706.73
F Construction	592.92	613.72	648.31	397.86	423.60	441.57	575.74	596.88	626.10
G Wholesale and retail trade; repair of motor vehicles and motorcycles	504.52	516.81	531.45	352.44	358.37	366.62	421.38	430.35	441.13
H Transportation and storage	621.62	631.10	650.60	538.22	544.92	563.63	599.63	607.52	627.81
I Accommodation and food services	347.84	353.73	361.85	266.92	272.13	276.32	303.57	309.20	313.59
J Information and communication	1,027.85	1,065.60	1,101.17	755.22	784.77	815.78	923.37	961.52	991.18
K-L Financial, insurance and real estate	908.86	939.79	981.56	678.92	698.45	717.33	763.02	787.92	817.67
M Professional, scientific and technical activities	766.83	787.81	804.54	573.84	586.95	602.88	656.46	674.94	692.31
N Administrative and support services	494.92	510.62	534.67	387.59	401.37	409.14	456.44	468.93	485.90
O Public administration and defence	892.64	896.57	904.40	743.10	752.10	762.75	821.96	832.33	841.54
P Education	761.95	774.63	798.38	686.67	707.85	728.92	697.25	722.88	743.71
Q Human health and social work	719.29	733.83	752.83	587.68	599.27	613.02	613.40	626.85	643.54
R-S Arts, entertainment, recreation and other service activities	415.60	425.13	436.23	311.52	318.15	326.15	348.00	354.88	363.79
Total	618.70	636.13	659.58	494.12	504.77	517.62	560.21	575.75	592.60
Of which:									
Public sector ²	912.31	920.96	937.94	764.73	779.72	792.87	817.40	831.00	844.23
Private sector	568.87	585.17	606.39	404.94	414.94	428.00	492.31	505.06	523.25

¹Median weekly earnings: Half of the employees earn more than this amount and half earn less.

²Public sector including semi-state companies. See Background Notes for further information.

Source: CSO Ireland, Earnings Analysis using Administrative Data Sources

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