

# Income Distribution and Redistribution in Ireland – A Geographical Exploration

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## Introduction

This research examines the factors that have influenced the distribution and redistribution of household incomes in Ireland at four geographical scales – state, region, county and electoral district (ED) – over recent decades. The international research on the geographical distribution of personal incomes has concluded that the transition to neoliberal economic strategies in many economically advanced countries since the 1980s was accompanied by an increasing divergence in per capita incomes between regions, which was a reversal of trends established over the previous three decades (Iammarino et. al, 2019; Martin et al, 2021). In Ireland, however, the impact of neoliberal economic strategies in the context of an exceptionally open economy, was moderated for a period of over twenty years from the mid-1980s by an innovative and dynamic national model of social partnership (O'Donnell, 2021).

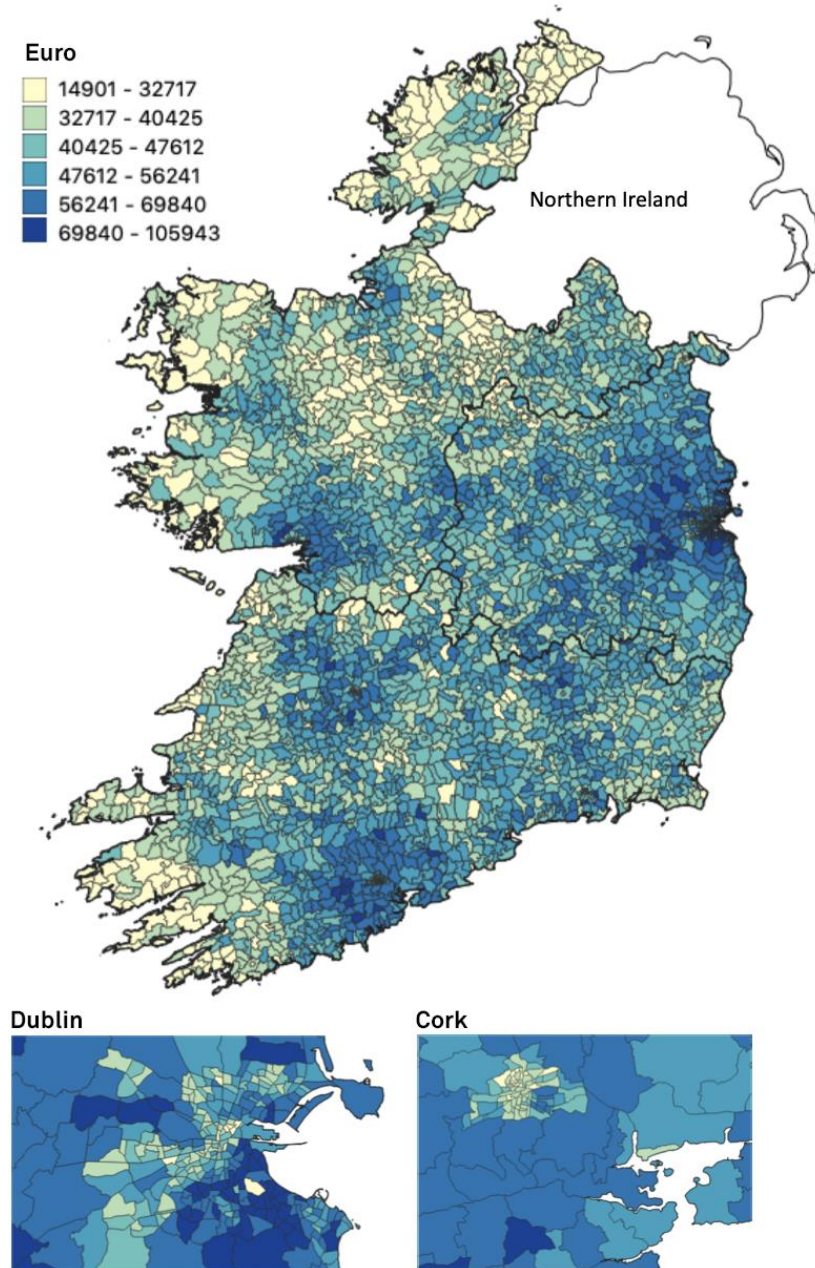
The research on which this paper is based found that while personal and household incomes in Ireland increased significantly over the last 30 years, the overall level of inequality measured across all households decreased but it is still high in comparison to some other EU countries, especially for market-based income (Roantree et al, 2021) At the regional level, disparities in household incomes have declined but there remain large differences between the Dublin-dominated East region and the strongly rural Border and Midland regions. The transition to lower levels of inequality occurred in phases linked to the trajectory of the national economy. Inter-regional convergence was more likely during periods of significant economic slow-down as in the 1980s and again in the immediate aftermath of the economic and financial crisis in 2008.

Over the longer term, the evidence points towards a pattern of convergence between urban and rural areas in average household incomes. The 2016 micro-level geographical data for 3,409 EDs provide two important insights that are not apparent from regional data. Firstly, after exclusion of the five largest cities, there is no statistical relationship between median household incomes and the population size of settlements. The relative location of settlements in relation to the larger centres of employment, and especially the extent of commuting, is much more important. Secondly, the 2016 data show that the highest levels of inequality in income

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distribution profiles occur in both the cities and in some of the poorest rural counties, while the lowest levels are found in counties that experienced the highest levels of population increase over recent decades.



Class intervals are based on 'natural breaks' in the data distribution  
 Digital boundaries source: Ordnance Survey Ireland Government of Ireland  
 Data source: Central Statistics Office

Figure 1: Median Household Gross Income 2016

The map of the distribution of household incomes is directly influenced by two sets of factors. The first relates to how different economic sectors are spatially distributed and how they are changing over time. Differences in numbers at work and the level of earnings, including gender-based differentials, in each sector account for most of the geographical variation in earned income levels. For example, the concentration of internationally traded market services in Dublin and of multinational corporations in high value-added manufacturing sectors in Cork, Limerick-Shannon and Galway are contributing to household disposable incomes in these areas that are above the median for Ireland. By contrast, the reliance on low productivity sectors with low earnings in many rural areas and in smaller towns contributes to their lower household incomes.

A second set of factors is related to the role of State as a provider of employment in public services and as an agent of redistribution via transfers that provide benefits to a wide range of persons and households. They are especially important for places that may be considered ‘left-behind’ in the overall restructuring of the economy and society. In addition to the direct influences on the geography of incomes levels, there are important background factors related especially to demography, education, female participation in the labour force, and where households choose, or are forced, to live.

## **The policy landscape in Ireland**

The evidence of persistent wide gaps in per capita incomes between rich and poor regions and localities has been a concern of many governments for several decades. Ireland, like many other countries, has experienced increasing divergence between the metropolitan areas and the most rural regions (Walsh, 2019). During the most recent phase of economic recovery, inter-regional divergence became more pronounced in Ireland, mirroring the trend observed in other countries.

In Ireland, the persistence of disparities in the regional distribution of economic indicators has often been regarded by political leaders, policy makers, and academics as evidence of a historically deep-rooted ‘regional problem’ and its solution has been linked to the promotion of ‘balanced regional development’. This approach is, however, an over-simplification of a complex reality that is an outcome of many factors that over time influenced the range of opportunities available in different places and the capacities of local populations to adapt to changing circumstances.

There have been many attempts to address the challenges of unbalanced regional development, the main features of which have included the attraction of foreign investments in manufacturing initially to the weaker regions but later, with greater sectoral specialisation and more focus on a few key manufacturing sectors such as pharmaceuticals and electronics, and also on international business services. The sectoral prioritisation has been accompanied by a prioritisation of the capital city-region and some other large urban centres; investment in inter-urban transport infrastructure and more recently in the provision of broadband in rural areas; significant investment in human capital through the education system; and the establishment of regional assemblies. However, the effectiveness of spatial development policies has been hampered by weak institutional structures (Breathnach, 2013) and adherence to ‘spatially

blind' as distinct from place-based approaches to the implementation of other policies and strategies.

Over the last 25 years, there have been two major initiatives to devise comprehensive strategies for spatial development in Ireland. The National Spatial Strategy (NSS) 2002-2020 (Government of Ireland, 2002) sought to achieve a better balance of economic, social and physical development and population growth between regions. The focus on balanced regional development was modified to a new focus on harnessing the potential of each of two NUTS2 regions (Walsh, 2009). The key objectives were to develop the potential of each region to contribute to the greatest possible extent to the continuing prosperity of the country, and to reduce disparities within and between the regions. The core elements of the Strategy were a focus on strategically located Gateways and Hubs (Van Egeraat, et al, 2013). While the NSS was innovative in many ways, its implementation was hampered by several factors that led to its demise (Walsh, 2013, 2019).

In 2018, the National Planning Framework (NPF) for the period to 2040 was published (Government of Ireland, 2018). The NPF is innovative in requiring government to ensure that all national investment programmes are aligned with the Framework from the outset. Special funding streams have been established for the renewal of both urban and rural areas, and the planning system has been given a stronger statutory basis that includes the establishment of the Office of the Planning Regulator. At the national level, the NPF identifies distinctive strategic roles for Dublin, the next four cities, and five regional centres, along with the remainder of the country. The implementation of the regional aspects of the NPF has been devolved to three regional assemblies who have each prepared a Regional Economic and Spatial Strategy (RSES). Each of the RSES explicitly adopted a place-based approach that takes account of the diversity of potentials as well as the constraints within different parts of each region. Each RSES includes an outline strategic plan for the metropolitan areas in the region. Furthermore, a complementary place-based rural development strategy, *Our Rural Future* (ORF), was launched in 2021 (Government of Ireland, 2021).

These initiatives include some fundamental changes in approach that involve a re-imagining of how development might occur in Ireland over the next 20 years. The strategy for rural Ireland advocates a holistic, place-based approach to rural development, which encourages and supports rural communities to develop cohesive and integrated plans to meet the long-term needs of their own particular area. Furthermore, it acknowledges that there is no one-size-fits-all solution to meet the development needs of every area. Undoubtedly, the innovativeness of these strategies will bring forward new challenges in the context of implementation. Nevertheless, they provide options and pathways for development that could be more sustainable and provide a better quality of life for more people.

### **Recent developments that may impact on the geography of incomes**

While this research was being undertaken, there were some significant events that may impact on the future geography of incomes in Ireland. These include international events such as the departure of the UK from the EU, which has created much uncertainty for some economic sectors, especially in rural Ireland while new opportunities have arisen in sectors such as



financial services in Dublin and new patterns of transporting goods and materials into and out of Ireland are developing with localised opportunities, especially in the southeast. The impact on the geographical distribution of incomes may be a further widening of the gap between the high- and low-income households within Dublin and other city regions, and also between the most urbanised and most rural regions.

Next, the legacy of the COVID-19 pandemic, which accelerated a transition to new working arrangements including remote working, may impact the geographical distribution of incomes. The government strategy for rural development, *Our Rural Future*, highlighted remote working as having the potential to be transformative for rural Ireland. However, the potential capacity for remote working in Ireland varies between industries, occupations, and places, an experience that is shared with many other countries (OECD, 2021). The greatest potential is in sectors that are supported by high quality telecommunications infrastructure and digital skills. These occupations tend to provide high earnings and they are more likely to be located in the largest urban centres. Thus, the tendency is for remote working opportunities to be located in the hinterlands of the largest urban centres where hybrid working arrangements can be more easily facilitated. There is also a possibility that some rural areas with appealing landscapes and environments that may have been previously 'left behind' may attract workers who wish to move from cities in quest of a better quality of life, even if for some it may involve less income or more limited career options (McCarthy et al, 2022). However, in many low-income rural places, disproportionately greater proportions of workers are employed in lower wage sectors that are not as readily amenable to remote working. The benefits that may arise from greater levels of remote working are most likely to accrue to higher income households residing in the hinterlands of the largest urban centres and for a selective number of rural places. Households with low incomes may benefit least and therefore there is a risk that the transition to more remote working may result in a further widening of the gap in incomes between richer and poorer places.

The geographical distribution of household incomes in the future in Ireland may be impacted by the very significant challenges in relation to the supply and affordability of housing. There are already strong indications that an influx of remote workers into some rural areas and to other settlements may result in increased local competition for housing so that households with comparatively low incomes will find it increasingly difficult to become the owners of their own homes. The geography of housing supply is an important influence on the distribution of incomes. Due to the scarcity of houses to purchase there has been a rapid increase in house prices to levels well in excess of the traditional models for calculating mortgages and consequently each successive generation are less likely than the last to own their own home at the same age. One outcome is that house prices have increased substantially throughout the country and not only in the cities. The traditional pattern of lower prices in rural areas due to lower land costs is giving way to diminished levels of affordability and greater insecurity for many households. A distinctive form of inter-generational social injustice is emerging which also has a discernible spatial pattern in which an increasing proportion of households with incomes in excess of the median may not be able to purchase their own homes. Over a longer period, this trend is likely to contribute to an increase in the already very high inter-generational variability in levels of household wealth.

Finally, it is important to note that, following the disruption of international supply chains since about 2020 and the invasion of Ukraine by Russia in February 2022, the global economy has slowed down, fuel prices have escalated rapidly, and the costs of food and other consumables have risen sharply. Those most affected are individuals and households with low incomes including many that reside in rural areas and for whom the increase in fuel prices (home heating plus transport costs) is a disproportionately greater cost. While the changes in living costs are impacting on households at all incomes levels, the effects of inflation are greater for lower income households, and most especially for elderly rural households (Lydon, 2022).

## Conclusion

The geographical exploration of the distribution and redistribution of income in Ireland demonstrates the extent and complexity of unevenness in the distributions between households and especially between places due to a wide range of underlying factors. These include the contrasts in the sectoral composition and the related personal earnings opportunities of local and regional economies, the positive and negative impacts of commuting on the socio-economic profiles of some towns and rural areas, and the dual roles of the State as firstly a provider of widely dispersed relatively well paid employment opportunities and secondly as a provider of an extensive range of supports for many households, most especially those on low incomes.

The data presented here offers evidence-informed insights at different spatial scales on the persistence of uneven development among households in different places, and also on the complexity of the interactions between key influences. While there is evidence of progress in reducing inequalities at a macro level, significant challenges remain at different geographical scales that need to be addressed in order to mitigate the impacts of processes that have been identified in other countries as having the potential to threaten social cohesion, spatial justice and democracy.

Further research is needed to examine in more detail the relationship between the geographical distribution of incomes and commuting, and how it may be impacting on summary measures for rural and urban areas. In addition, a more sophisticated approach to the identification of a multi-level typology of places that includes both urban and rural areas and the linkages between them is urgently required to avoid a risk of over-simplification in the interpretation of the patterns revealed by the data.

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