

ESTABLISHING A BENCHMARK FOR IRELAND'S SOCIAL WELFARE PAYMENTS

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KEY FINDING

This report recommends that a figure of 27.5 per cent of average earnings is the appropriate benchmark for minimum social welfare payments and reflects a continuation of the previous benchmark (30 per cent of Gross Average Industrial Earnings) using the new *CSO Earnings and Labour Costs* dataset.

1. PROJECT OUTLINE

Social Justice Ireland has commissioned this brief report with the intention of establishing an appropriate benchmark for Ireland's social welfare payments. The need for this study arises given changes to the availability of income data from the CSO. The aim of the study is to use available official data to establish a new and comparable benchmark and thereby allow ongoing assessments of the adequacy of social welfare payments relative to this benchmark.

2. BENCHMARK AGAINST GAIE

A series of annual increases in social welfare payments brought the minimum social welfare payment in 2007 to a figure of €185.80 per week. At that time the figure reached a benchmark equivalent to approximately 30 per cent of gross average industrial earnings (GAIE).¹

Table 1 reports the CSO's data for GAIE in 2007. In that year, GAIE values were only published for the first two quarters of the year (March and June) as subsequently the data series was discontinued (see section 3 below). Taking an average of these two figures, the table shows that the average GAIE in 2007 was €186.22.

Table 1: Gross Average Industrial Earnings Data, 2007

	Weekly	Annual*	30% of weekly
March (Q1)	€14.25	€2,027.00	€184.28
June (Q2)	€27.24	€2,704.29	€188.17
Average of Q1 and Q2	€20.75	€2,365.64	€186.22

Source: Calculated from CSO *Industrial Earnings and Hours Worked* (October 2007).

Note: *Annual value is calculated as weekly multiplied by 52.14.

At a minimum social welfare payment of €185.80, it seems appropriate to conclude that the benchmark of 30 per cent of GAIE was achieved. Given that these welfare rates are set in advance in Budgets and the data is published by the CSO many months after they are collected some deviation is to be expected. In previous years, the quarter 2 GAIE figure has been closest to the overall annual average (of all four quarters). In 2007, the minimum social welfare payment represented 99.7 per cent of the value of the 2007 GAIE average and 98.7 per cent of the quarter 2 value.

¹ For further detail see *Social Justice Ireland* (2010:70-74).

3. CHANGES TO EARNINGS DATA

In late 2007 the CSO discontinued their *Industrial Earnings and Hours Worked* dataset and replaced it with a more comprehensive survey of *Earnings and Labour Costs* containing earnings statistics for a broader set of Irish employment sectors. The end of the *Industrial Earnings and Hours Worked* dataset also saw the demise of the gross average industrial earnings (GAIE) figure from Irish official statistics; it has been replaced with a series of measures including a new indicator measuring average earnings across all the employment sectors now being measured. However, there is no direct crossover between the two datasets which allows for simultaneous comparisons. The final *Industrial Earnings and Hours Worked* data is June 2007 and the first *Earnings and Labour Costs* data is from quarter 1 2008.

4. LINKING GAIE AND AVERAGE EARNINGS

Table 2 outlines the GAIE data as reported by the CSO from 1996-2006. It also includes the value from quarter 2 2007 as in previous years the quarter 2 value most closely represented the annual GAIE figure when averaged across all four quarters. No figure is available for 2008 as the dataset was discontinued. However, the Department of Finance produced a value for 2009 as part of its study on replacement rates and unemployment published in late 2009. While that document did not provide a source or explanation for the 2009 value, it seems that it was derived from the 2007 value with adjustments of +1.5 per cent for 2008 and +1.33 per cent for 2009. These adjustments approximate the changes to average earnings projected for that period.

Table 2: Gross Average Industrial Earnings Data, 1996-2009*

Year	€	Year	€
1996	€8,776.14	2003	€7,933.48
1997	€9,370.53	2004	€9,238.55
1998	€10,207.38	2005	€10,287.08
1999	€11,339.86	2006	€11,347.09
2000	€12,743.47	2007	€12,704.29
2001	€14,555.85	2008	not available
2002	€16,148.73	2009*	€18,634.00

Source: CSO *Industrial Earnings and Hours Worked* (various years); Department of Finance (2009).

Note: * 2009 data from Department of Finance Estimate (see text above)

Taking the data from 2009, it is possible to use the values for GAIE and the reported CSO values to link the two datasets. Table 3 presents the results of this assessment using *Earnings and Labour Costs* data for quarter 2 2009. Quarter 2 was chosen as the GAIE data ceased in quarter 2 2007 and in previous years the quarter 2 value most closely represented the annual GAIE figure when averaged across all four quarters.

Table 3: Linking GAIE and Average Earnings Data

Average Earnings Q2 2007 (weekly)	€701.73
Average Earnings Q2 2007 (annual)*	€36,588.20
Estimate of GAIE for 2009**	€33,634.00
GAIE as a % Average Earnings	91.9258%
30% of GAIE in 2009	€10,090.50
30% of GAIE in 2009 as % Average Earnings	27.5786%
Proposed Benchmark	27.5%

Notes: * Data is published as weekly values and is multiplied by 52.14 to calculate annual values
 ** See Table 2

Table 3 shows that the GAIE figure for 2009 is equivalent to 91.9% of the average earnings figure established by the CSO for that year. It should be remembered that the new average earnings figure is derived from a broader assessment of earnings in Irish society and is being compared with the earnings figure for industries. Taking the 30 per cent of GAIE figure for 2009 and comparing this to the new average earnings figure shows that the old 30 per cent of GAIE benchmark is equivalent to 27.5 per cent of the new average earnings value.

Consequently, this report recommends that a figure of 27.5 per cent of average earnings is the appropriate benchmark for minimum social welfare payments and reflects a continuation of the previous benchmark using the new CSO *Earnings and Labour Costs* dataset.

5. APPLYING THE NEW BENCHMARK TO SOCIAL WELFARE PAYMENTS

Table 4 applies this new benchmark using CSO data for quarter 2 2010 (published December 2010). The data is updated to 2011 and 2012 using ESRI projections for wage growth in 2011 (-1 per cent) and 2012 (0 per cent). In 2011 and 2012, 27.5 per cent of average weekly earnings equal €188.80; marginally more than the current minimum social welfare rate (€80).

Table 4: Applying the New Benchmark to Minimum Social Welfare Payments

Year	Average Weekly Earnings	27.5% of Average Weekly Earnings
2010	693.58	190.73
2011	686.64	188.83
2012	686.64	188.83

Notes: 2010 data from CSO *Earnings and Labour Costs*, Q2 2010 (December 2010).
Earnings Growth rates for 2011 and 2012 from ESRI QEC Winter 2010.

6. CONCLUSION

This brief report has considered how the previous 30 per cent of GAIE minimum social welfare payment benchmark should be linked to the new *Earnings and Labour Costs* dataset produced by the CSO from 2008 onwards. The report recommends that a figure of 27.5 per cent of average earnings is the appropriate benchmark for minimum social welfare payments and reflects a continuation of the previous benchmark using the new CSO *Earnings and Labour Costs* dataset.

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