



Social Welfare Rates: Budget 2022

The case for benchmarking and indexation



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Executive Summary

Minimum social welfare rates should increase by €10 per week in Budget 2022. This would see the basic social welfare rate rise to €213 in Budget 2022.

Government should benchmark core social welfare rates to 27.5 per cent of average weekly earnings (€222 per week) over a two-year period. This should start in Budget 2022 with a €10 increase in core social welfare payments.

Budget 2021 was the second budget in a row which failed to deliver an increase to the minimum social welfare payment. A repetition of this failure in Budget 2022 would leave those who are most vulnerable in a very difficult position and see them fall further behind.

The benchmark of 27.5 per cent of average earnings is so important to the living standards of many in Irish society, and to meeting our own anti-poverty commitments.

We estimate that more than 12,000 working age adults would have been raised out of poverty in 2016 had minimum social welfare payments been benchmarked at 27.5 per cent of average earnings.

Government should commit to reaching the benchmark of 27.5 per cent of average weekly earnings in Budget 2023.

Maintaining an Adequate Level of Social Welfare

Budget 2021 failed to deliver an increase to the minimum social welfare payment. *Social Justice Ireland* regrets this decision. A lesson from past experiences of economic recovery and growth is that the weakest in our society get left behind unless welfare increases keep track with increases elsewhere in the economy. Benchmarking minimum rates of social welfare payments to movements in average earnings is therefore an important policy priority.

Just over a decade ago Budget 2007 benchmarked the minimum social welfare rate at 30 per cent of Gross Average Industrial Earnings (GAIE). This was a key achievement and one that we correctly predicted would lead to reductions in poverty rates, complementing those already achieved in earlier years¹.

Since then the CSO discontinued its *Industrial Earnings and Hours Worked* dataset and replaced it with a more comprehensive set of income statistics for a broader set of Irish employment sectors. A subsequent report for *Social Justice Ireland* found that 30 per cent of GAIE is equivalent to 27.5 per cent of the new average earnings data being collected by the CSO² (Collins, 2011). A figure of 27.5 per cent of average earnings is therefore the appropriate benchmark for minimum social welfare payments and reflects a continuation of the previous benchmark using the current CSO earnings dataset.

Benchmarking Social Welfare Rates

The benchmark of 27.5 per cent of average earnings is applied in Table 1.1 using CSO data for 2019 and 2020. In normal years the data is updated using ESRI projections for wage growth but, given current uncertainties, they have not published any such projections for 2021; therefore we have conservatively assumed a 0 per cent change for 2021. Based on these calculations, in 2021 the updated value of 27.5 per cent of average weekly earnings equals €222.08 implying a shortfall of €19 between the minimum social welfare rates being paid in 2021 (€203) and this threshold.

Table 1.1: Benchmarking Social Welfare Payments for 2021 (€)

Year	Average Weekly Earnings	27.5% of Average Weekly Earnings
2019*	774.68	213.04
2020**	807.57	222.08
2021**	807.57	222.08

Notes: * actual data from CSO average earnings.

** simulated value based on CSO data/trends and an assumed 0% growth rate in 2021.

Given the importance of this benchmark to the living standards of many in Irish society, and its relevance to anti-poverty commitments, the current deficit highlights a need for the Government, and Budget 2022, to further increase minimum social welfare rates and commit to converging on a benchmark equivalent to 27.5 per cent of average weekly earnings.

Government could choose to close this gap over two budgetary cycles, and then develop a pathway to index core social welfare rates to the Minimum Essential Budget Standard.

¹ See <https://www.socialjustice.ie/content/publications/social-justice-matters-2021-annex-3-income-distribution> for full details of the benchmarking process.

² Collins, M.L. (2011) *Establishing a Benchmark for Ireland's Social Welfare Payments*. Paper for Social Justice Ireland. Dublin: Social Justice Ireland.

Benchmarking, Indexation and estimated impact on poverty

In general, fluctuations in the poverty rates of those largely dependent on the welfare system has correlated in the past with policy moves that allowed the value of welfare payments to fall behind wage growth before eventually increasing these payments to catch up. If those dependent on social welfare are not to fall behind the rest of society at times of economic growth, the benchmarking of welfare rates to wage rates is essential.

We estimate that more than 12,000 working age adults would have been raised out of poverty in 2016 had minimum social welfare payments been benchmarked at 27.5 per cent of average earnings. 28,000 would have been raised out of poverty had the benchmark been 28.5 per cent. **By moving this benchmark gradually towards the Vincentian Partnership's Minimum Standard, poverty among households without children would gradually be eliminated completely.**

Social Justice Ireland supports the indexation of minimum social welfare payments to ensure recipients do not fall behind the rest of society. We propose the **benchmark should start at 27.5 per cent of average earnings as a minimum, and that Government should commit to reaching this benchmark over a two year period in Budget 2022 and Budget 2023.** *Social Justice Ireland* is happy to discuss this proposal further and examine how it might be progressed and developed.

Social Justice Ireland is an independent think-tank and justice advocacy organisation of that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.



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