



Social Welfare Rates: Budget 2024

The case for benchmarking and indexation



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Executive Summary

Core social welfare rates should increase by a minimum of €25 per week in Budget 2024. This would see the basic social welfare rate rise to €245 in Budget 2024.

Government should commit to benchmarking core social welfare rates to 27.5 per cent of average weekly earnings in Budget 2024. Achieving this benchmark requires a €25 increase in core social welfare payments.

This benchmark is hugely important to improving the living standards of many in Irish society, and to achieving anti-poverty commitments.

This benchmark should be used as the starting point in the development of a pathway to index core social welfare rates to the Minimum Essential Budget Standard over time.

Social welfare payments play a crucial role in reducing poverty. The Survey on Income and Living Conditions (SILC) 2022 shows that without the social welfare system 36.7 per cent of the population would have been living in poverty in 2022. However, welfare payments reduced the poverty rate by 23.6 percentage points to 13.1 per cent.

Benchmarking minimum rates of social welfare payments to movements in average earnings is an important policy priority. 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.

Maintaining an Adequate Level of Social Welfare

Adequate levels of social welfare are essential to addressing 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.

Social Justice Ireland believes in the very important role that social welfare plays in addressing poverty. As part of the *SILC* results the CSO has provided an interesting insight into the role that social welfare payments play in tackling Ireland's poverty levels. It has calculated the levels of poverty before and after the payment of social welfare benefits.

Table 1.1 shows that without the social welfare system just over one-third of the Irish population (36.7 per cent) would have been living in poverty in 2022. Such an underlying poverty rate suggests a deeply unequal distribution of direct income¹. In 2022, the actual poverty figure of 13.1 per cent reflects the fact that social welfare payments reduced poverty by almost 24 percentage points.

Table 1.1: The Role of Social Welfare (SW) Payments in Addressing Poverty

	2005	2010	2015	2020	2022
Poverty pre-SW	40.0	50.2	46.2	36.5	36.7
Poverty post-SW	18.3	14.7	16.3	13.2	13.1
The role of SW	-21.7	-35.5	-29.9	-23.3	-23.6

Source: CSO SILC Reports (various years) using national equivalence scale.

The current cost of living and energy crisis has made the challenge of making ends meet a feature of the day-to-day life for many households across Irish society and across much of the income distribution. Households on the lowest incomes who, through good and bad economic times, struggle to live life on a low income. Budget 2023 failed to deliver for them as the necessary increase to the minimum social welfare payment was not made. *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 years.²

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

¹ This issue is discussed in more detail in the income distribution chapter of 'Social Justice Matters 2023' - <https://www.socialjustice.ie/system/files/file-uploads/2023-05/Social%20Justice%20Matters%202023%20WEB%20Version.pdf>

² See <https://www.socialjustice.ie/system/files/file-uploads/2023-05/SER%202023%20Annex%203%20Income%20FINAL.pdf> for full details of the benchmarking process.

GAIE is equivalent to 27.5 per cent of the new average earnings data being collected by the CSO.³

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

Table 1.2 applies this benchmark of 27.5 per cent of average earnings using the latest CSO Earnings and Labour Costs data. By the end of 2022 average weekly earnings equalled €881.29. Taking this as the starting point for earnings in 2023, we can determine that the updated value of 27.5 per cent of average weekly earnings equals €242.35 implying a shortfall of almost €22.35 between the minimum social welfare rates being paid in 2023 (€220) and this threshold.

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 2024, to further increase minimum social welfare rates and commit to converging on a benchmark equivalent to 27.5 per cent of average weekly earnings.

Table 1.2: Benchmarking Social Welfare Payments for 2023 (€)

Year	Average Weekly Earnings	27.5% of Average Weekly Earnings
2020	814.99	224.12
2021	853.08	234.60
2022	881.29	242.35
Start of 2023	881.29	242.35

Notes: Earning data from CSO Earnings and Labour Costs (February 2023).

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 2024, 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 should close this gap in Budget 2024 and use this benchmark as a starting point in the development of a pathway to index core social welfare rates to the Minimum Essential Budget Standard⁴.

Addressing income adequacy

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 in Budget 2024 and develop a pathway to meeting the Minimum Essential Budget Standard over time.**

³ Collins, M.L. (2011) *Establishing a Benchmark for Ireland's Social Welfare Payments*. Paper for Social Justice Ireland. Dublin: Social Justice Ireland.

⁴ <https://www.budgeting.ie/>

Social Justice Ireland is an independent think-tank and justice advocacy organisation 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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