



Social Welfare Rates: Budget 2025

The case for benchmarking and indexation



Contents

Executive Summary.....	3
Maintaining an Adequate Level of Social Welfare.....	4
Benchmarking Social Welfare Rates.....	4
Addressing income adequacy.....	5

Executive Summary

Core social welfare rates should increase by a minimum of €25 per week in Budget 2025. This would see the basic social welfare rate rise to €257 in 2025. A €25 increase is required to benchmark core social welfare rates to 27.5 per cent of average earnings and to address the impact of continued inflation on low income households.

Government should commit to reaching the benchmark of 27.5 per cent of average weekly earnings in Budget 2025 and develop a roadmap for the indexation of core social welfare rates against average earnings to be published in 2025.

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, using percentage of average earnings as key increments.

This benchmark is hugely important to improving the living standards of many in Irish society, and to achieving anti-poverty commitments. The Roadmap for Social Inclusion aims to reduce the rate of people experiencing consistent poverty to 2 per cent by 2025.

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.

Social welfare payments play a crucial role in reducing poverty. The Survey on Income and Living Conditions (SILC) 2023 shows that without the social welfare system 34 per cent of the population would have been living in poverty in 2023. However, welfare payments reduced the poverty rate by 24 percentage points to 10.6 per cent.

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 over one-third of the Irish population (34.1 per cent) would have been living in poverty in 2023. Such an underlying poverty rate suggests a deeply unequal distribution of direct income.¹ In 2023, the actual poverty figure was reduced to 13 per cent by social welfare transfers and further reduced by cost-of-living support payments to 10.6 per cent. Overall, these transfers targeted at the lowest income households reduced poverty by 23.5 percentage points.

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

	2005	2010	2015	2020	2023
Poverty pre-SW	40.0	50.2	46.2	36.5	34.1
Poverty post-SW	18.3	14.7	16.3	13.2	10.6
The role of SW	-21.7	-35.5	-29.9	-23.3	-23.5

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 2024 failed to deliver for them as the necessary increase to the minimum social welfare payment was not made. *Social Justice Ireland* regrets this decision. An increase of €25 per week on core social welfare rates is the minimum required in Budget 2025 to address income adequacy challenges and the impact of continuing inflation on low income households. It is important to note that despite rates of inflation slowing, most prices will not reduce into 2024 and beyond. Since 2020, food prices have risen by 21.2 per cent and energy by 64.5 per cent. It is well documented that low income households felt the brunt of the surge in inflation as they spend most of their money on the essentials such as food and fuel.

Benchmarking Social Welfare Rates

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.

¹ This issue is discussed in more detail in the income distribution chapter of 'Social Justice Matters 2024' - <https://www.socialjustice.ie/system/files/file-uploads/2024-04/Social%20Justice%20Matters%202024%20Body%20WEB%20Entire%20Publication.pdf>

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 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.

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 2023 average weekly earnings equalled €915.96. Taking this as the starting point for earnings in 2024, we can determine that the updated value of 27.5 per cent of average weekly earnings equals €251.81 implying a shortfall of almost €20 between the minimum social welfare rates being paid in 2024 (€232) 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 2025, to further increase minimum social welfare rates and commit to converging on a benchmark equivalent to 27.5 per cent of average weekly earnings and to address the impact of ongoing inflation on low income households.

Table 1.2: Benchmarking Social Welfare Payments for 2024 (€)

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
2023	915.69	251.81
Start of 2024	915.69	251.81

Notes: Earnings data from CSO Earnings and Labour Costs database.

Government should close this gap in Budget 2025 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 Standard, using percentage of average earnings as key increments.⁴

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, that Government should commit to reaching this benchmark in Budget 2025. In addition, Government should develop a**

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.

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/>

roadmap for the indexation of core social welfare rates against average earnings to be published in 2025 which would inform and develop a pathway to meeting the Minimum Essential Budget Standard over time.

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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