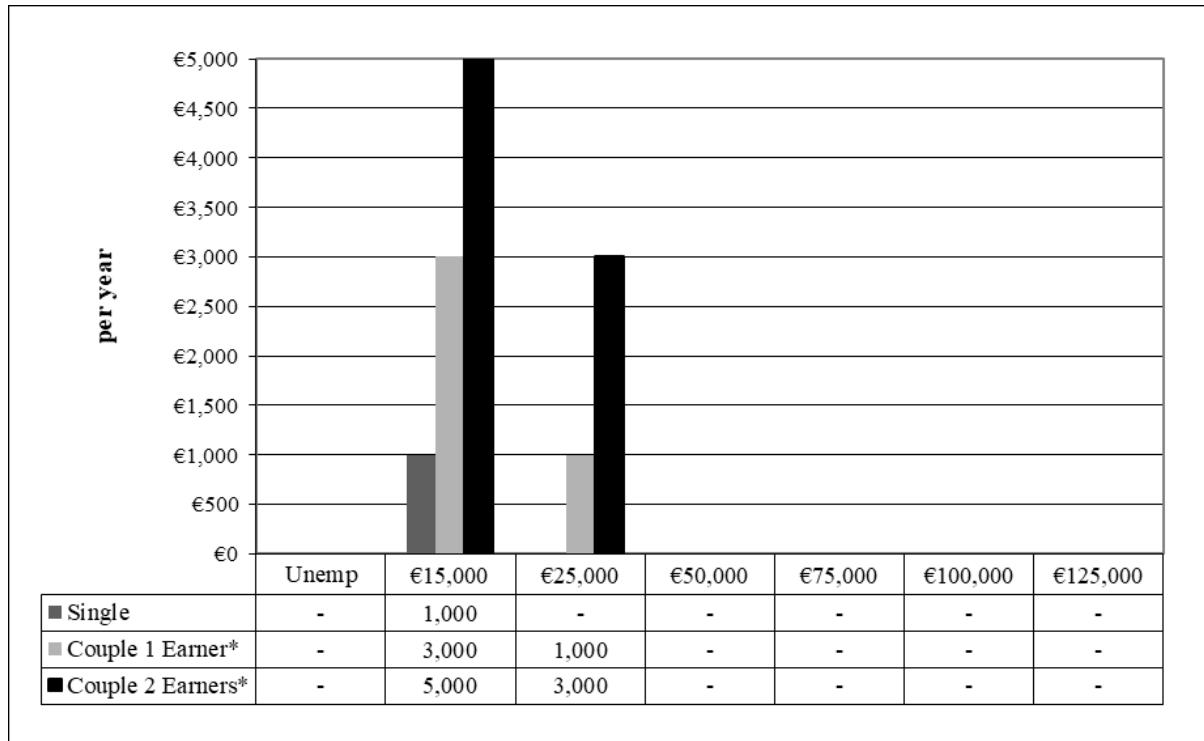


## Income Distribution

Chart 7.1: How Much Better Off Would People Be if Tax Credits Were Made Refundable?



**Notes:** \*Except where unemployed as there is no earner. Refund of unused portion of personal and employee credit. Calculations are for tax year 2025.

Table 7.1: Benchmarking Social Welfare Payments for 2025 (€)

Year	Average Weekly Earnings (AWE)	27.5% of AWE	Jobseekers Payment
2021	853.08	234.60	203.00
2022	883.59	242.99	208.00
2023	918.31	252.54	220.00
2024	968.25	266.27	232.00
2025*	968.25	266.27	244.00

**Note:** Earnings data from CSO Earnings and Labour Costs database. \*These figures relate to beginning of 2025.

## Income Distribution



The failure to reference or address income adequacy in the Programme for Government is a cause for substantial concern. While poverty is multi-faceted, it cannot be addressed without policies that address income adequacy which should be combined with the provision of properly resourced services and infrastructure. We also regret that the issue of low pay was not addressed in the programme. The introduction of Refundable Tax Credits would support low paid workers. This absence from the programme for government is extremely concerning. As our population grows and ages, Government should establish an expert forum to examine what a minimum social floor of services and income for all demographic cohorts out to 2057 might look like.

### Refundable Tax Credits

The move from tax allowances to tax credits was completed over two decades ago in Budget 2001. This was a very welcome change because it put in place a system that had been advocated for a long time by a range of groups. One problem persists, however. If a low income worker does not earn enough to use up their full tax credit then they will not benefit from any income tax reductions introduced by the Government in its annual budget. This has been the case for a large number of low income workers following recent Budgets. Making tax credits refundable would be a simple solution to this problem. It would mean that the part of the tax credit that an employee did not benefit from would be 'refunded' to them by the state.

The major advantage of making tax credits refundable lies in addressing the disincentives currently associated with low-paid employment. The main beneficiaries of refundable tax credits would be low-paid employees (full-time and part-time). Chart 7.1 displays the impacts of the introduction of this policy across various gross income levels. It shows that all of the benefits from introducing this policy would go directly to those on the lowest incomes.

### Benchmarking Social Welfare

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

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. 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 (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. Table 7.1 applies this benchmark using the latest CSO Earnings and Labour Costs data. By the end of 2024 average weekly earnings equalled €968.25. Taking this as the starting point for earnings in 2025, we can determine that the updated value of 27.5 per cent of average weekly earnings equals €266.27 implying a shortfall of just over €22 between the minimum social welfare rates being paid in 2025 (€244) and this threshold.

### Policy Priorities

- Index social welfare rates to 27.5% of average earnings.
- Introduce Refundable Tax Credits.