

SOCIAL WELFARE

HOW IRELAND COMPARES IN EUROPE

EAPN Ireland Factsheet

September
2009



Author: Niamh O'Grady

External Assistance:

Brid O'Brien, Head of Policy & Media Irish National Organisation of the Unemployed & Philip O'Connor, Director of Dublin Employment Pact



Contents

Introduction	2
Poverty In Europe And Ireland	3
Irish Social Welfare Rates Compared To EU15	4
Power Purchasing Parities (PPP)	5
Net Replacement Rates	6
Long-Term Unemployment In Europe	8
Social Protection	10
The GDP Versus GNP Argument	11
Spending On Social Protection Per Head Of Population	11
Breakdown Of Social Protection Expenditure	12
The 'Cost Of Living' Argument	12
How Do Social Welfare Rates Actually Relate To The Cost Of Living?	13
Financing Social Welfare Expenditure	13
Conclusion	14

Tables

Table 1: Comparison of Poverty Levels in Ireland and the EU 2007	3
Table 2: The role of Social Welfare (SW) payments in addressing poverty	4
Table 3: Unemployment Benefit 2007 single person (no dependents) (€)	5
Table 4: Unemployment Benefit 2007 single person (€)	6
Table 5: European Net Replacement Rates compared for Average Wages	7
Table 6: Maximum duration of unemployment payments in EU15 (in months)	8
Table 7: General non-contributory maximum income per month	9
Table 8: Social Protection expenditure in EU15, 2006	10
Table 9: Total expenditure on social protection per head of population (PPS)	11
Table 10: Social Welfare Rates compared to Cost of Living (2008)	13

Key Points

- An Irish single unemployed claimant receives the third smallest amount in benefits in the EU15.¹
- EU member states are spending an average of 26.9% of GDP (Gross Domestic Product) on social protection. Of the EU 27, Ireland came twentieth with an 18.2% spend. Ireland's spending was the lowest in EU15.²
- Irish net replacement rate, i.e. the ratio of social welfare benefits to previous take-home pay, is extremely low. Luxembourg has the highest rate at 86.6% and Ireland had the lowest rate with 34.5%.³
- While the recent figures on consumer prices, as measured by the Consumer Price Index,⁴ were 5.1% lower in June of this year compared with June 2008, it is overly simplistic to imply that this drop in prices benefits all members of society in equal measure.
- Contrary to a statement by the Minister for Finance arguing that welfare recipients received an 8% increase in their income this year, welfare recipients are actually seeing a decrease of 5% in their income for 2009, when the changes to the rent supplement and the cutting of the Christmas payment are taken into account.⁵
- Many households on social welfare or the minimum wage do not have enough income to sustain a basic standard of living.⁶ According to the 2008 Report of the Vincentian Partnership for Social Justice, a single claimant living in Dublin needs an additional €61.52 per week to sustain a basic standard of living.
- In 2006, the UK government spent 17.2 per cent more per person on social expenditure than Ireland did. Other comparisons against spending per Irish person include: Belgium 34.8 per cent more, Germany 21.9 per cent more, Austria 34.9 per cent more, Denmark 36.1 per cent more and Luxembourg 112.9 percent more.⁷
- In 2007, social welfare payments reduced poverty in Ireland by 24.5%.⁸

INTRODUCTION

Whilst recognising and welcoming the significant increases in pensions, social welfare transfers, the increase in the National Minimum Wage and the introduction of the Early Childcare Supplement in 2007, it must be highlighted that the Irish social welfare system still lags behind European counterparts. As the government attempts to plot a course to economic recovery, it is vital that the most vulnerable members of society (those who depend on social welfare payments) are not left behind. It is imperative now more than ever to remind the government and the wider society of their obligation towards these members of the community.

The objective of this paper is to inform our member organisations about comparative European perspectives with regard to social welfare rates. This paper focuses mainly on unemployment rates although the section on social protection covers all social transfers.

EAPN Ireland hopes to contribute to the current debate drawing on European statistics to provide comparative analysis. EAPN acknowledge the inherent complexity of the social welfare system in each of the EU15 and thusly, as a means of comparison, we have used a single claimant as a benchmark throughout this paper.

1 OECD Tax/benefits calculator 2007: http://www.oecd.org/document/18/0,3343,en_2649_34637_39717906_1_1_1_1,00.html

2 Eurostat, 2009: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-02062009-BP/EN/3-02062009-BP-EN.PDF

3 OECD Tax/benefits calculator 2007: http://www.oecd.org/document/18/0,3343,en_2649_34637_39717906_1_1_1_1,00.html

4 Central Statistics Office, Consumer Price Index June 2009: http://www.cso.ie/releasespublications/documents/prices/2009/Prices/consumerpriceindex/cpi_jun2009.pdf

5 The Irish National Organisation for the Unemployed: <http://www.inou.ie/press/2009/06/22/reject-cuts/>

6 Vincentian Partnership for Social Justice, 2008. Minimum Essential Budgets for Six Households 2008 Policy Implications of Changes in Minimum Essential Budgets from 2006-2008.

7 Eurostat figures based on PPS. http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/dataset?p_product_code=TPS00100

8 Central Statistics Office, 2007. The Survey on Income and Living Conditions (SILC).p9

POVERTY IN EUROPE AND IRELAND

In 2007, in the EU27, approximately 79 million people (16%) lived below the poverty threshold, a situation likely to hamper their capacity to fully participate in society. This figure, calculated as a weighted average of national results, masks considerable variation between Member States. At one extreme, the Member States with the highest poverty rates are the Baltic countries: Latvia (21%), Lithuania (19%), Estonia (19%) as well as Greece, Spain and Italy (all 20%), and the United Kingdom and Romania (both 19%). At the other extreme, the share of the population at risk of poverty is around 10% in the Czech Republic and the Netherlands, and 11% in Sweden and Slovakia.⁹

The most up-to-date data available on poverty in Ireland comes from the 2007 Survey on Income & Living Conditions (EU-SILC) conducted by the CSO (published in early December 2008). Using the EU poverty line set at 60 per cent of median income, the findings reveal that in 2007 more than 16 out of every 100 people in Ireland were at risk of poverty.¹⁰

Table 1: Comparison of Poverty Levels in Ireland and the EU 2007

At Risk of Poverty Levels	Ireland ¹¹	EU average ¹²	Consistent Poverty Rates in Ireland ¹³	
Overall 'at risk of poverty' rate	16.5%	16%	Overall consistent poverty rate	5.1%
Children	19%	19%	Children	7.4%
People of working age	16%	15%	People of working age	4.7%
Older people (65+)	16.6%	19%	Older people (65+)	2.0%
Employed	6.7%	8%	Employed	1.3%
Unemployed	38.7%	42%	Unemployed	17.5%
Lone parent families	37.6%	34%	Lone Parent Families	20.1%

In the absence of social transfers other than pensions (such as unemployment, family and housing benefits), the poverty risk for the EU population as a whole would be considerably higher than it is in reality (25% instead of 16%): on average, social transfers reduce the risk of poverty by 36%. Social transfers are most effective in the Nordic countries (Sweden, Norway, Denmark, Finland) Hungary, the Netherlands, Austria, France, the Czech Republic and Slovenia where they reduce poverty by 50% or more. Conversely, in Greece, Spain, Italy and Bulgaria, social transfers only reduce the risk of poverty by less than 20%.¹⁴

The results of a CSO analysis that shows without the social welfare system Ireland's poverty rate in 2007 would have been 41 per cent. The actual poverty figure reflects the fact that social welfare payments reduced poverty by 24.5%.¹⁵

09 Eurostat, 2009. Population and social conditions Statistics in focus http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-046/EN/KS-SF-09-046-EN.PDF

10 Central Statistics Office, 2007. The Survey on Income and Living Conditions (SILC).p9

11 Central Statistics Office, 2007. The Survey on Income and Living Conditions (SILC).p9

12 EUROSTAT: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-046/EN/KS-SF-09-046-EN.PDF

13 Central Statistics Office, 2007. The Survey on Income and Living Conditions (SILC).p9

14 Eurostat, 2009. Population and social conditions Statistics in focus http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-046/EN/KS-SF-09-046-EN.PDF

15 Central Statistics Office, 2007. The Survey on Income and Living Conditions (SILC), p 9

Table 2: The role of Social Welfare (SW) payments in addressing poverty

	2001	2004	2006	2007 ¹⁶	EU 27 Average 2007 ¹⁷
Poverty levels before Social Welfare	35.6	39.8	40.3	41.0	52
Poverty levels after Social Welfare	21.9	19.4	17.0	16.5	16
The role of Social Welfare	-13.7	-20.4	-23.3	-24.5	36

IRISH SOCIAL WELFARE RATES COMPARED TO EU15

Contrary to popular belief – social welfare payments in Ireland are average to low compared to social welfare rates in the European Union. Comparing European social welfare payments poses a considerable methodological and statistical challenge. Social welfare mechanisms in European Member States differ greatly from one another in their design and delivery, with some welfare systems linking pay to unemployment benefit. Similarly some member states do not grant supplements for dependent children/spouses. (A detailed overview of the social welfare systems EU15 is contained in Annex 1). In this paper Ireland will be compared to the rest of the EU15. The EU15 is comprised of the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom. These are the member countries in the European Union prior to the accession of ten candidate countries on 1 May 2004. It is more useful and accurate to compare Ireland to the EU15 rather than EU27, since levels of income and publicly taxable production are higher in the former.

In Ireland, regardless of wage level, there is a flat-rate Jobseekers' Benefit/Allowance payment. There is no pay-related element, whereas in Spain, unemployment benefit ranges from the minimum payment of €482.44 to the maximum payment of €1,356.86 per month.

The MISSOC (Mutual Information System on Social Protection) database confirms that unemployment payments in Ireland are well behind several countries in Scandinavia and mainland Europe, but significantly more than in Northern Ireland and Britain. However, the latter's comprehensive system of "cradle to grave" social insurance and health care with its principles of universal provision and flat rate contributions have to be acknowledged.

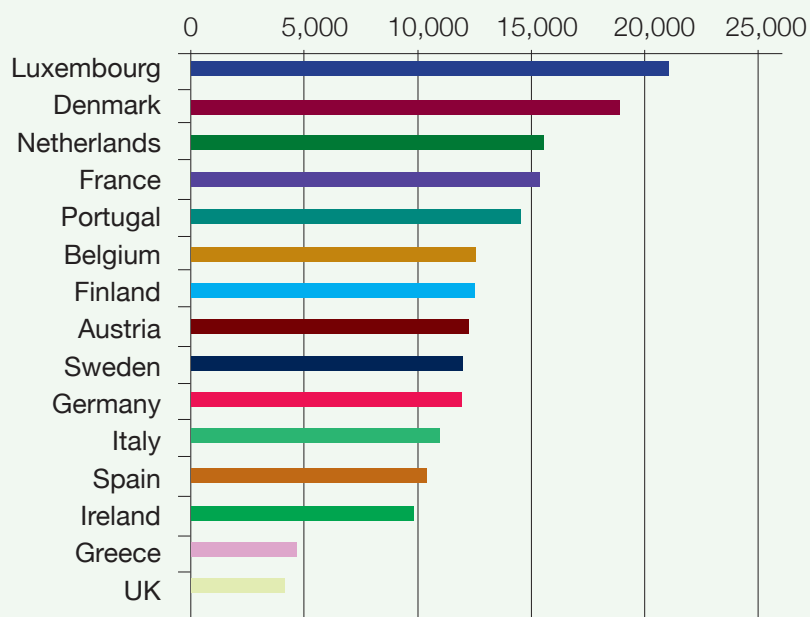
In Ireland Redundancy compensation of two weeks' pay per year of service, reimbursed to 60% from social welfare, is paid to workers laid off after more than two year's employment with the same employer. In unionised sectors higher levels of redundancy compensation (up to six weeks' pay per year of service), paid by employers, are the norm. Redundancy payments thus compensate workers to some extent for the drop to flat rate benefit on becoming unemployed. However, most employees do not receive more than the statutory entitlement and workers who have been less than two years in the same employment do not qualify at all. Redundancy compensation is thus not a significant factor for many vulnerable workers. An assessment of the impact of redundancy payments is not included in this study as comparative analysis in this area was beyond the scope of this research.

The most useful comparator of European Welfare rates is the **OECD Benefits and Wages database** as it is possible to compare the amount of benefits people get based on the same wage; using the average industrial wage €32,747 for a single person in Ireland. The figures for the other countries relate to a wage of approximately €32,747, if the figure were not exactly €32,747, then the nearest figure below was taken. The table is based on the net unemployment payment, excluding housing benefit and or other supplements available for all countries.

16 Data for 2007 not excluding SSIA effect as not published by CSO
 17 EUROSTAT: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-046/EN/KS-SF-09-046-EN.PDF

Table 3: Unemployment Benefit 2007 single person (no dependents) (€)

Country	Wages	Amount of benefit €
Luxembourg	€32,604	€21,346
Denmark	€32,564	€18,302
Netherlands	€32,363	€15,758
France	€32,540	€15,605
Portugal	€32,288	€14,323
Belgium	€32,636	€12,415
Finland	€32,577	€12,339
Austria	€32,499	€12,212
Sweden	€32,643	€11,924
Germany	€32,631	€11,821
Italy	€32,529	€11,179
Spain	€32,625	€10,522
Ireland	€32,747	€9,662
Greece	€32,731	€4,407
UK	€32,381	€3,631



Source: OECD tax/benefits calculator¹⁸

When the European unemployment benefit statistics are compared, Ireland ranks thirteenth. However, these figures only reveal the level of payment available to the unemployed in each country- they do not take into account the discrepancies in the cost of living. In order to see how this affects the table above, Power Purchasing Parities (PPP) must be evaluated.

Power Purchasing Parities (PPP)

Purchasing power parities (PPPs) are indicators of price level differences across countries. PPPs show how many currency units a given quantity of goods and services costs in different countries. PPPs convert economic indicators expressed in national currencies to a common currency, called Purchasing Power Standard (PPS), which equalises the purchasing power of different national currencies and thus allows meaningful comparison.¹⁹

Price level indices (PLIs) provide a comparison of the countries' price levels with respect to the European Union average: if the price level index is higher than 100, the country concerned is relatively expensive compared to the EU average and vice versa. The EU average is calculated as the weighted average of the national PLIs, weighted with the expenditures corrected for price level differences.

Table 4 shows that the price levels of each country in relation to the average price level in the EU15. Ireland has a PLI of 111.2 and Spain has a PLI of 84.8 then it means that the price levels in Ireland are 11.2% higher than the EU15 average while the price levels in Spain are 15.2% lower than the EU15 average.

18 OECD Tax/benefits calculator 2007: http://www.oecd.org/document/18/0,3343,en_2649_34637_39717906_1_1_1_1,00.html

19 Eurostat: <http://nui.epp.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do>

Table 4: Unemployment Benefit 2007 single person (€)**Comparative price level indices (EU15=100)**

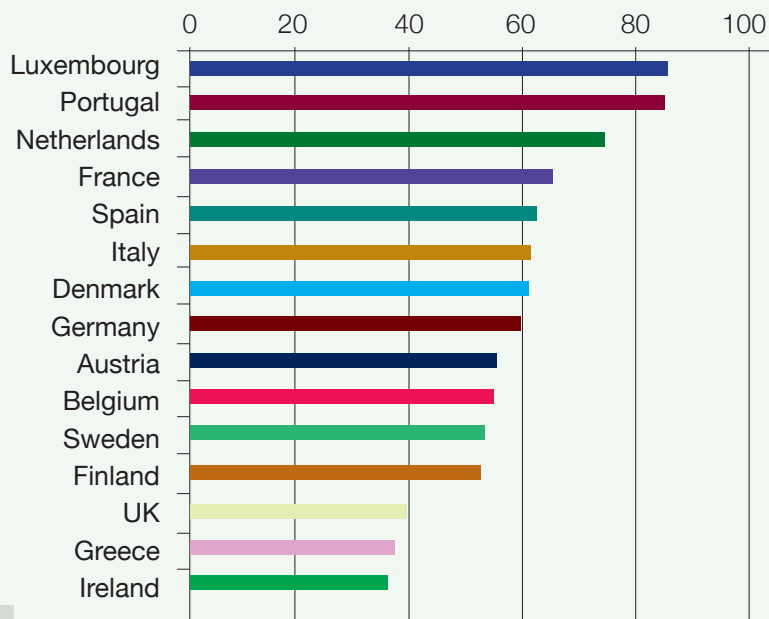
Country	Wages	Amount of benefit	PPPs price level indices & real expenditures	Difference	Real Value
Luxembourg	€32,604	€21,346	108.4	-8.4%	€19,553
Denmark	€32,564	€18,302	132	-32%	€12,435
Netherlands	€32,363	€15,758	101	-1%	€15,600
France	€32,540	€15,605	104.2	-4.2%	€14,950
Portugal	€32,288	€14,323	77.1	+22.9%	€17,603
Belgium	€32,636	€12,415	102	-2%	€12,167
Finland	€32,577	€12,339	112	-12%	€10,858
Austria	€32,499	€12,212	100.4	-0.4%	€12,163
Sweden	€32,643	€11,924	113.1	13.1%	€10,362
Germany	€32,631	€11,821	98	+2%	€12,057
Italy	€32,529	€11,179	97.5	+2.5%	€11,458
Spain	€32,625	€10,522	84.8	+15.2%	€12,121
Ireland	€32,747	€9,662	111.2	-11.2%	€8,580
Greece	€32,731	€4,407	82.1	+17.9%	€5,195
UK	€32,381	€3,631	108	-9%	€3,341

Source: OECD tax/benefits calculator²⁰ and Eurostat²¹**Net Replacement Rates**

The Net Replacement Rate (NRR) is defined as a ratio of out-of-work income as a proportion of in-work income (i.e. the ratio of social welfare benefits to previous take-home pay). Table 5 shows the European NRR for an unemployed person who was earning the average wage. The countries are ranked in order; Luxembourg has the highest rate at 86.6% and Ireland had the lowest rate with 34.5%.

Table 5: European Net Replacement Rates compared for Average Wages

Country	Average Wage	Net Replacement Rate
Luxembourg	€45,284	86.6%
Portugal	€16,144	84.3%
Netherlands	€40,966	73.1%
France	€31,902	66.5%
Spain	€21,896	61.8%
Italy	€25,216	61.6%
Denmark	€46,516 (approx.)	61.4%
Germany	€42,935	59.4%
Austria	€37,789	55%
Belgium	€39,320	54.6%
Sweden	€30,683 (approx.)	53%
Finland	€34,656	52%
UK	€38,239 (approx.)	40.2%
Greece	€24,426	35.9%
Ireland	€32,747	34.5%



Source: OECD tax/benefits calculator²²



Overall, Irish net replacement rates, are extremely low. As the wages of those claiming social welfare rise, Ireland's net replacement rates will fall because of our flat rate benefit. In contrast, the net replacement rate in some European Countries will rise as the wage level rises. Consequently, it is inaccurate to state that Ireland's net replacement rates are high by international standards.

²² OECD Tax/benefits calculator 2007: http://www.oecd.org/document/18/0,3343,en_2649_34637_39717906_1_1_1_1,00.html

Long-term unemployment is generally understood to be one year or more out of full-time employment. Generally, with the exception of Belgium, unemployment benefit²³ in EU15 lasts for a limited number of months. The duration of the welfare rates quoted previously varies from country to country. In Denmark, unemployment benefit lasts 48 months, in Ireland, it lasts 13 months and in the UK, it lasts only 6 months.

The table below outlines the maximum duration of both unemployment benefit and unemployment assistance in EU15

Table 6: Maximum duration of unemployment payments in EU15 (in months)

	Unemployment Benefit	Unemployment Assistance	Extension of Assistance: Depending on Age	Extension of Assistance: Depending on Particular Circumstances
Austria **	12	No Limit	Yes (transitional benefits for elder workers)	48 (training)
Belgium	No Limit	-	-	-
Denmark	48	-	20 (if aged 55-60)	-
Finland	16	No Limit	36	-
France	36	6*	-	12 (temporary waiting period)
Germany**	24	6* No Limit	24	-
Greece**	12	3	5 (if aged 20-29)	12 (if applicant has worked 4050 days)
Ireland	13	No Limit	-	-
Italy	7	-	3	3 (in event of recession) 48 (in some regions of Southern Italy)
Luxembourg	12	-	12	6 (for applicants that are "difficult" to place)
Netherlands	38	6	-	-
Portugal**	32	16****	-	-
Spain	24	6* up to maximum of 18	Yes (for workers over 52 years of age)	11 (Active Integration Income)
Sweden	15***	-	-	-
UK	6	No Limit	-	-

* Renewable every 6 months

** Duration of benefits depends age and length of contribution

*** For applicants who have a child under age of 18

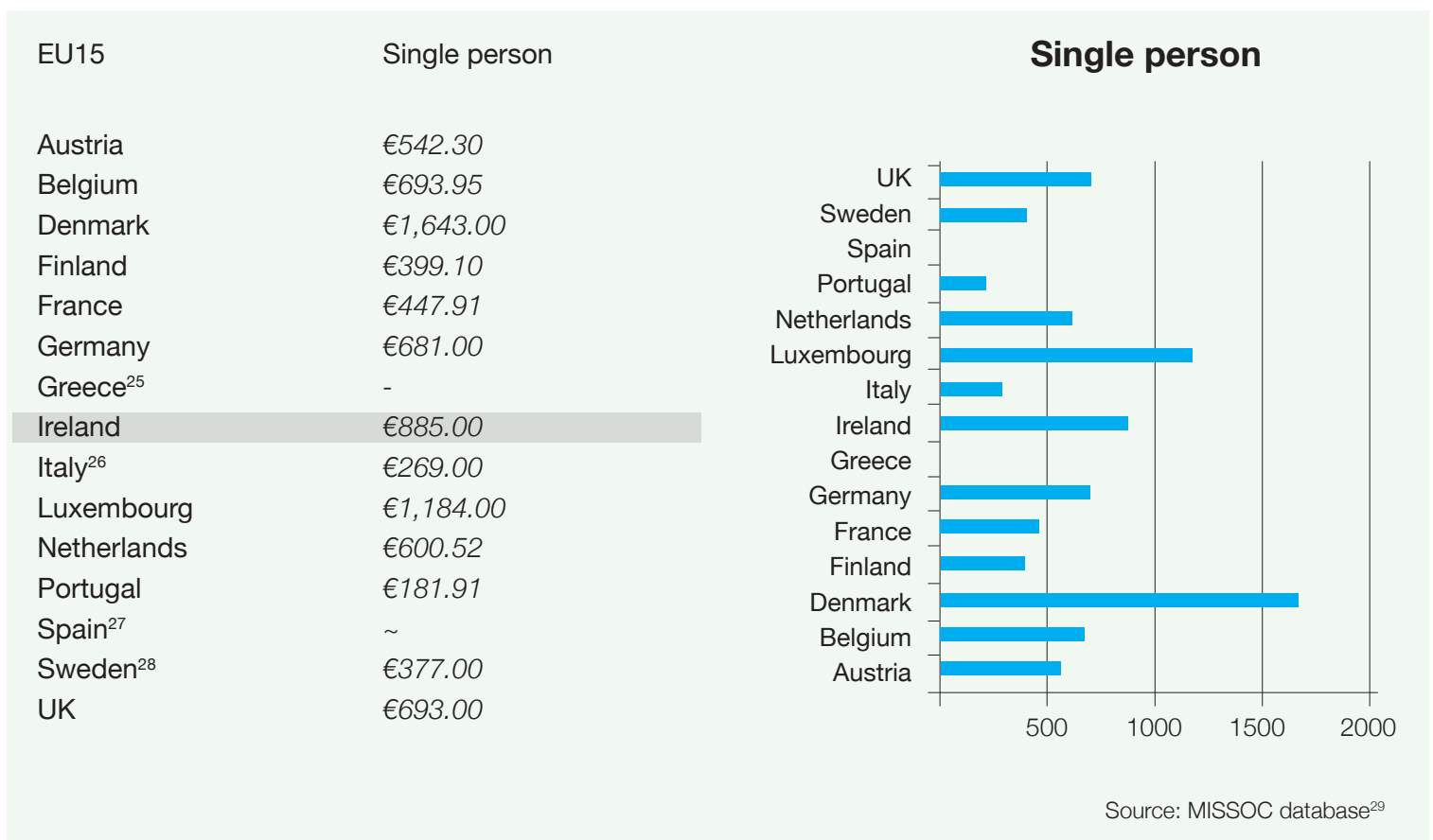
**** Duration of benefits depends age and length of contribution, if unemployment assistance is granted after the exhaustion of unemployment benefit; the assistance is restricted to half of the period. Source: MISSOC²⁴

23 What is broadly referred to as Unemployment Benefit in this paper has many different names throughout Europe. This paper categorises a contributory, insurance –based payment as Unemployment Benefit. Unemployment assistance, for the purposes of this paper, is a non-contributory and means-tested payment.

24 http://ec.europa.eu/employment_social/missoc/db/public/compareTables.do;jsessionid=KCLwZ4rc2pv7pgGmWMQG0KQBd1Kv2bpm3TWnSKwvCkFG8fyhP21R!-176087116

With the exception of Greece, when claimants have exhausted the unemployment benefit, they receive some level of non-contributory state support. In Ireland, this could take the form of the Jobseeker's Allowance; Disability Allowance; Deserted Wife's Benefit/Allowance; One-Parent Family Payment etc. Table 7 is an overview of the maximum non-contributory social welfare payments within the EU15.

Table 7: General non-contributory maximum income per month (Situation on 1st January 2009)



Irish rates are the third highest in the EU15 at €885 for a single claimant.³⁰

25 There is no general scheme in Greece.

26 Italy: The amounts vary from region to region and are differentiated only according to the number of family members and not according to its composition. Figures are given here as examples and only apply to levels below and above benefit amounts. Levels set by the regions (no information exists on the benefits granted by municipalities and local Health Centres) In the Aoste Valley and in the self-governed province of Trente, these amounts are supplemented, by allowances for rent, heating and other general costs.

27 Spain: The amount depends on several references. Examples: autonomous communities; the existence of dependent relatives; budgetary availability.

28 Sweden: On top of the above amounts, support can also be provided for reasonable expenditures on housing, domestic electricity supply, journeys to and from work, household insurance, medical care, dental care, glasses and membership of a trade union and an unemployment insurance fund.

29 http://ec.europa.eu/employment_social/missoc/db/public/compareTables.do;jsessionid=KCLwZ4rc2pv7pgGmWMQG0KQBd1Kv2bpm3TWNKwvCkFG8fyhP21R!-176087116

30 *ibid.*

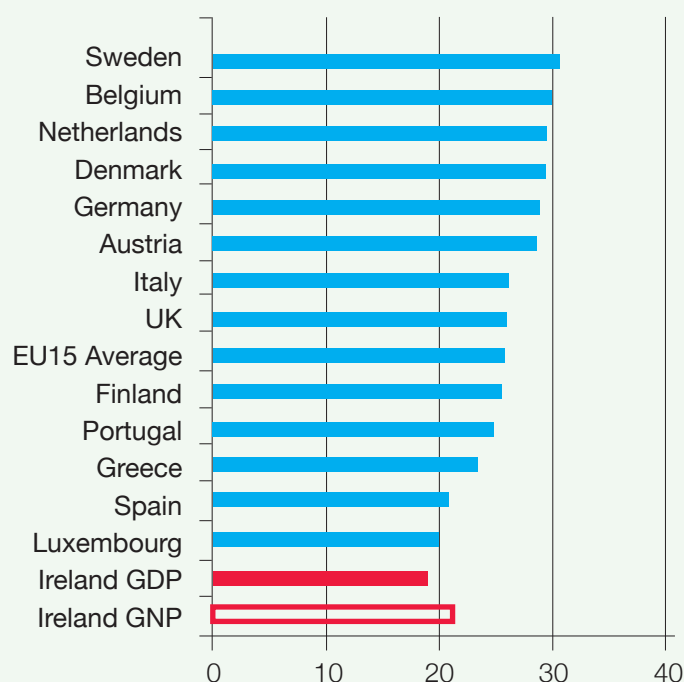
SOCIAL PROTECTION

Social protection expenditure is defined by Eurostat to include spending on: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion initiatives not elsewhere classified (2007: 125). The results of a survey from Eurostat have found that EU member states are spending an average of 27% of GDP on social protection in 2006 (the latest year for which figures are available).

The survey found that France (31%), Sweden (31%) and Belgium (30%) spent the highest proportion of GDP on social protection. The lowest rate of social protection spending as a proportion of GDP is in Latvia (12%), Estonia (12%) and Lithuania (13%). Ireland came eight from bottom of the EU 27 with an average 18% spend. Of the EU15, Ireland spent the lowest amount on social protection.

Table 8: Social Protection expenditure in EU15, 2006

Social protection expenditure	% of GDP	
	2005	2006
France	31.4	31.1
Sweden	31.5	30.7
Belgium	29.7	30.1
Netherlands	27.9	29.3
Denmark	30.2	29.1
Germany	29.7	28.7
Austria	28.8	28.5
Italy	26.3	26.6
United Kingdom	26.3	26.4
Finland	26.7	26.2
Portugal	25.4	25.4
Greece	24.3	24.2
Spain	21.1	20.9
Luxembourg	21.7	20.4
Ireland	18.2	18.2



Source: Eurostat³¹

Whilst recognising that in 2006, there were low levels of unemployment and there are relatively low numbers of elderly people in Ireland compared to the rest of Europe, there is still a significant gap between Ireland's figure and the European average. However, these factors are likely to account for only about 10-15 per cent of the gap between Ireland's figure and the European average.³²

³¹ Eurostat: <http://nui.epp.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do>
³² Cori Justice, IRELAND IN 2008: THE CONTEXT, p.8

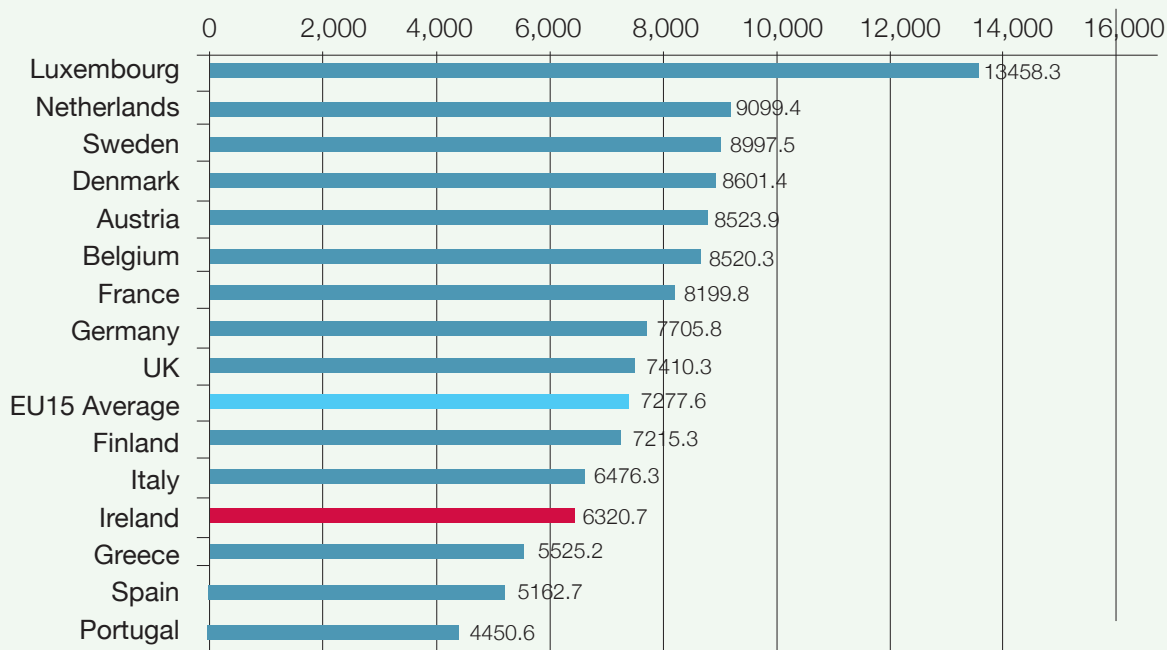
The GDP Versus GNP Argument

A number of commentators suggest a comparison using Gross National Product (GNP) to measure expenditure on social protection as GNP in Ireland, is more accurate. GNP is much lower than GDP.³³ GNP is the total value of all goods and services produced in an economy in a given time period which accrues to the residents of a country, in other words it is the GDP minus the profits of the multi-nationals based in Ireland. The relationship between GDP and GNP in Ireland is exceptional among EU countries, in 2006; the GNP was 13.9% lower than GDP. Using either GDP (18.2%) or GNP (21.4%) Ireland's spending on social expenditure stands out as being below the EU15 average (26.4%).

Spending On Social Protection Per Head Of Population

When social expenditure is expressed on a per capita basis Ireland's position improves, but still ranking only eleventh out of the EU15, spending €645.4 per annum less than the EU15 average on each person in the state. When social protection expenditure is expressed in terms of per capita PPS, the differences between countries are more pronounced (**see Table 9 below**). Within the EU15, Luxembourg had the highest expenditure in 2006 (€13,458 PPS per capita), followed by the Netherlands and Sweden (with around €9,000 PPS per capita). Ireland slips to twelfth place and spends €956.9 less per person on social protection than the EU15 average.

Table 9: Total expenditure on social protection per head of population (PPS)



According to Eurostat figures based on PPS in 2006³⁴, the UK government spent 17.2% more per person on social expenditure than Ireland did. Other comparisons against spending per Irish person include: Belgium 34.8% more, Germany 21.9% more, Austria 34.9% more, Denmark 36.1% more and Luxembourg 112.9% more.

Breakdown Of Social Protection Expenditure

Social protection expenditure in the EU15 is the combined total of **(1)** social benefits, which consist of transfers, in cash or in kind, to households and individuals to relieve them of the burden of a defined set of risks or needs; **(2)** administration costs, which represent the costs charged to the scheme for its management and administration; **(3)** other expenditure, which consist of miscellaneous expenditure by social protection schemes (payment of property income and other); and **(4)** other

associated expenditure. Ireland spends 7.1% on administration, rendering it the most expensive social welfare system to administer in the EU15. Luxembourg spends 1.5%, the Netherlands spends 5.1%, Denmark spends 2.7% and the United Kingdom spends 1.9% on administration. The average spending of the EU15 on administration is 3.2%.

THE 'COST OF LIVING' ARGUMENT

The decline in the cost of living has prompted suggestions that social welfare rates should be cut. It is important to recognise, however, that the consistency and the continuance of this downward trajectory of consumer prices is merely speculative.

There are two formal ways to calculate the cost of living in Ireland: the Consumer Price Index³⁵ (CPI) and the Harmonised Index of Consumer Prices (HICP)³⁶. The CPI measures the variability of the cost of living from month to month, but within this approach there are a huge number of variables. Mortgage interest, the cost of fuel and public transport are all taken into account when calculating the CPI.

The principal difference between CPI and HICP is that the CPI index incorporates mortgage interest into its calculations.

It is important to note that price reductions in certain areas will have limited or perhaps no impact on the monthly outgoings of an unemployed person. For instance, it is clear that the overheads and expenses that characterise the expenditure of a single unemployed person, who is renting accommodation and uses public transport, are quite different from expenditure incurred by a family in which both parents are working, paying a mortgage and owning two cars.

The HICP fell by 2.6% in comparison to 5.9% in the CPI at the end of July 2009. When the Consumer Price Index figures for June 2009³⁷ are broken down, they reveal particular implications for welfare recipients. For example, there have been increases in the cost of: electricity (4.7%); natural gas (6.5%); solid fuels (6.3%); bus fares (10.9%); rail transport 8.7%; insurance (19.4%); childcare (6.4%); other social protection (including home nursing costs) 4.1% primary education (7.6%); secondary education (7.1%); third level education 4.5%; other education and training 3.4%; doctor fees (2.2%); dental fees (2.3%); hospital service fees (9.4%)

Regional disparities among food prices must also be taken into consideration. The National Consumer Agency survey has found that grocery prices are down between **7-15%**, but significant regional disparities exist. Prices in convenience stores are considerably higher with of a basket of 21 branded items almost **€20** dearer compared to the cheapest chain of supermarkets, a difference of 23%.

The National Consumer Agency Chief Executive Ann Fitzgerald, said that the gap between the cheapest and dearest supermarket has widened to over €8 or 4% for a basket of branded goods, which in grocery terms is 'absolutely enormous.'³⁸ However, rising transport costs coupled with the limited provision of services in some areas will circumvent many families from availing of bargains and promotional deals in supermarkets.

35 Central Statistics Office, Consumer Price Index July 2009: <http://www.cso.ie/releasespublications/documents/prices/current/pic.pdf>

36 ibid

37 ibid

38 Doyle, Kevin. Why your weekly food bill depends on where you live. Irish Independent, 23 July 2009.

Social welfare recipients have already suffered the loss of the Christmas payment; they have also borne the decrease in the level of Rent Supplement support while the minimum contribution towards their rent increased. In fact welfare recipients are actually experiencing a decrease of **5%** in their income for 2009.³⁹

How Do Social Welfare Rates Actually Relate To The Cost Of Living?

A recent report published by the Vincentian Partnership for Social Justice highlights the challenges faced by people living on low incomes. It found that most households on social welfare or the minimum wage do not have enough income to sustain a basic standard of living. In fact, the gap between the basic standard of living and the actual incomes of these households varied by between €10 and €240. This study has major implications for government policy if poverty is to be eliminated. Table 10 shows the difference of the social welfare rates compared to the cost of living for a single claimant.

Table 10: Social Welfare Rates compared to Cost of Living (2008)

	Single Person (male 25+)	
	Dublin	Monaghan
Household expenditure	€265.82	€250.21
Social welfare Max. Rates	€204.30	
Difference	- €61.52	-€45.91

According to the CSO, EU-SILC (Survey on Income and Living Conditions), the median income per adult in Ireland during 2007 was €367.74. Consequently, the 60% of median income poverty line for a single adult derived from this value was €228.64 a week. A single claimant on maximum benefit of €204.30 will need an extra €24.34 to be above the poverty line.

FINANCING SOCIAL WELFARE EXPENDITURE

Commentators have suggested that one third of all government expenditure will be on social welfare in 2009; however this oversimplifies how social protection is funded in Ireland. Pay Related Social Insurance (PRSI) contributions are paid into the Social Insurance Fund (SIF) and are not calculated as part of the overall tax revenue. This means that the social welfare spend for the year which is estimated to be approximately €21 billion is comprised of two parts. The first being the voted expenditure, which is over €10 billion and this comes directly from tax revenue. The remainder comes from the SIF and is approximately €11 billion.

CONCLUSION

This paper has sought to provide a summary of how Irish social welfare expenditure compares to our European neighbours, with particular reference to the EU15, as the most appropriate comparator. This information is critical in any debate on the 'generosity' of Ireland's social welfare system.

Myths and misinformation regarding Ireland's social welfare rates contributes to stigmatisation and stereotyping of people experiencing poverty, and bolsters a culture of blame and marginalisation. The rate of unemployment transfers in Ireland is not generous by European standards.

In fact not only are social welfare rates much lower but Ireland's overall spending on social protection is exceptionally low. As we have shown the picture is not a simple one and it must be acknowledged that a comparison of the income of those in long term unemployment in Ireland compares reasonable well to our European neighbours, and is far closer to being in line with costs of living disparities; Ireland has the third highest rates of the maximum non-contributory social welfare payments within the EU15 (*with the second highest cost of living*).

To suggest that deflation is having a significant impact on the quality of life of those living in poverty is at best premature. The cost of basic items has not fallen significantly and in many cases has continued to rise. Studies demonstrate that Irish social welfare rates are insufficient to realise a 'basic minimum budget' and CSO data demonstrates that current rates are below the poverty line. As the Irish experience over the last ten years clearly demonstrates social transfers are critical tools in the fight against poverty, and have been used very successfully to reduce poverty in Ireland. However if the government is to continue to progress towards realising its commitment to ending consistent poverty by 2016, then it is critical that there is a detailed and frank debate on the role of social welfare and its impact.
