€12/week means that welfare is being cut in real terms:
Age Action calls on TDs and Senators to raise all core social protection rates by at least €20 in the Social Welfare Bill 2022

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Age Action is Ireland's leading advocacy organisation on ageing and older people. Age Action advocates for a society that enables all older people to participate and to live full, independent lives.

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Political choice

Despite the united call across most civil society organisations for a €20+ increase in core welfare, the Government got it wrong on welfare in Budget 2023 even though they have the resources available to protect those on the lowest incomes who have the least resilience in the face of the cost of living crisis.[1] But there is still time to fix the problem and to **raise core social protection incomes by at least €20 in the Social Welfare Bill**, rather than the €12 announced on Budget Day. This would cost an additional €600 million at a time when tax revenue is buoyant from multiple sources, not just Corporation Tax.

For older persons, the loss of spending power makes all the difference in terms of being able to afford to keep their homes warm, to make essential car journeys, or to have a nutritious, protein-rich diet. Older persons do not have the means to supplement their incomes, and with private pensions and savings also declining in spending power, the State Pension is the bedrock that people rely on to makes ends meet.

Most older persons won't receive all the emergency lump sums and they won't receive a higher pension until January.

It is not uncommon for Finance Bills or Social Welfare Bills to contain measures that were not included in the Ministers' Speeches on Budget Day. The final decision rests with Dáil Éireann, which must vote on the Social Welfare Bill 2022 that will set next year's welfare rates. The opportunity is still there to do the right thing, and raise core welfare rates by at least €20 so that those in society who are furthest behind have more of the support they need in 2023.

Inflation has slashed welfare spending power

Based on inflation to date and the Government's projected rate of inflation for 2022 and 2023, working age welfare payments will have lost €32.37 per week in spending power by end-2023, and the State Pension will have lost €42.54 per week, despite the additional €12 from January.

The loss of spending power is so extreme because of the cumulative effect of inflation. A nominal €10 in December 2023 will only let a person afford what €7.76 would have bought in December 2020.

By the end of 2023, **a working age welfare payment of €220 will buy 15.9% less than €203 would buy in December 2020**, and **the €265.30 State Pension income will buy 17.1% less than €248.30 bought in December 2020**. Raising welfare by €20 in January 2023 won't erase most of this lost spending power, but it is the least that must be done to limit the inevitable increase in poverty and deprivation next year.

[1] That is why Age Action called for a €23 increase to the full rate State Pension in advance of Budget Day.

Figure 1. Working Age welfare payments (nominal rate versus spending power relative to December 2020)

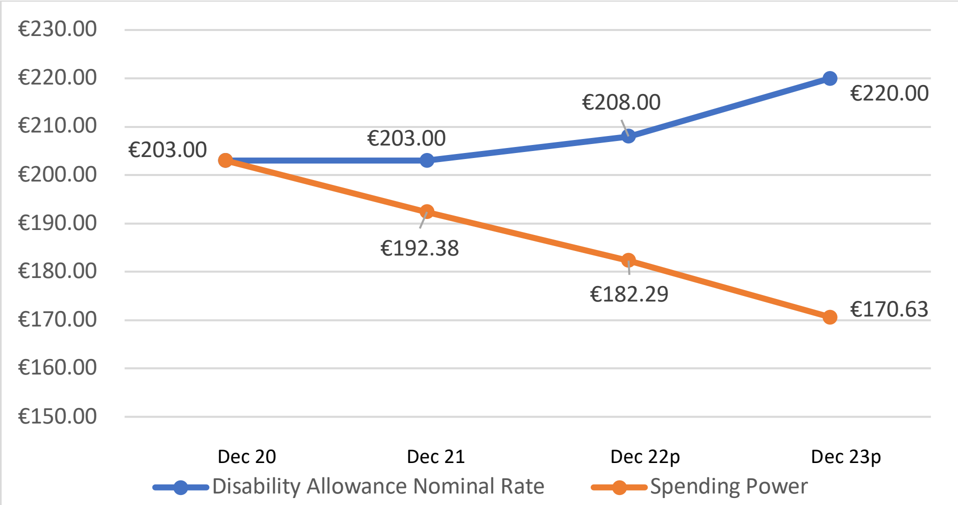


Figure 2. Contributory State Pension (nominal rate versus spending power relative to December 2020)

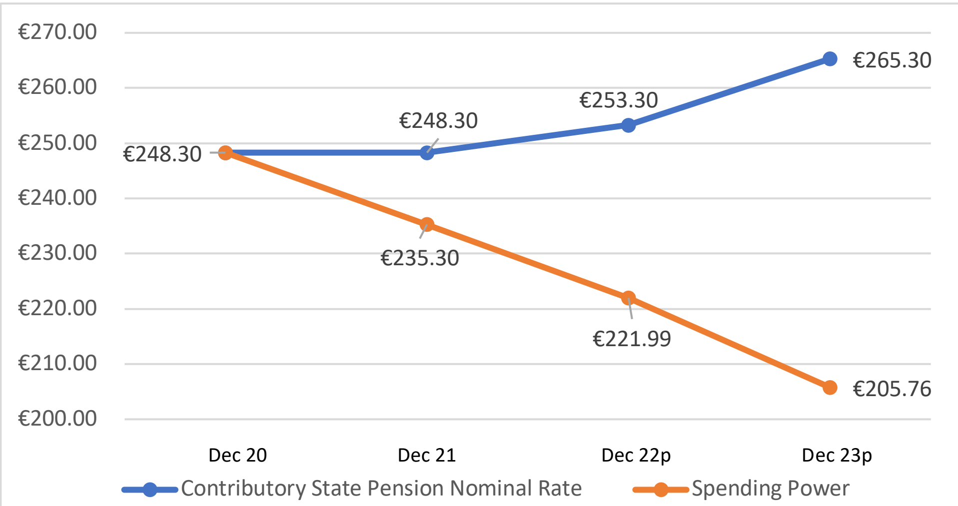


Table 1. Nominal rates of Disability Allowance and Contributory State Pension versus Spending Power 2020-2023

Social Welfare Payment by Year	**Nominal Rate**	**Spending Power of €10 (relative to Dec. 2020)**	**Spending Power of Social Welfare Payment (relative to Dec. 2020)**	**Loss of Spending Power (€, relative to Dec. 2020)**	**Annual Loss of Spending Power (€, full year relative to Dec. 2020)**
Working Age (December 2020)	€203	€10.00	*€203*	*€0*	*€0*
Working Age (December 2021)	€203	€9.48	*€192.38*	*-€10.62*	*-€554*
Working Age (December 2022)	€208	€8.76	*€182.29*	*-€20.71*	*-€1,080*
Working Age (December 2023)	€220	€7.76	*€170.63*	*-€32.37*	*-€1,688*

Social Welfare Payment by Year	**Nominal Rate**	**Spending Power of €10 (relative to Dec. 2020)**	**Spending Power of Social Welfare Payment (relative to Dec. 2020)**	**Loss of Spending Power (€, relative to Dec. 2020)**	**Annual Loss of Spending Power (€, full year relative to Dec. 2020)**
Contributory State Pension (Dec. 2020)	€248.30	€10.00	*€248.30*	*€0*	*€0*
Contributory State Pension (Dec. 2021)	€248.30	€9.48	*€235.30*	*-€13.00*	*-€678*
Contributory State Pension (Dec. 2022)	€253.30	€8.76	*€221.99*	*-€26.31*	*-€1,372*
Contributory State Pension (Dec. 2023)	€265.30	€7.76	*€205.76*	*-€42.54*	*-€2,218*

The above data demonstrates that core welfare rates are falling further behind inflation, which reduces recipients' capacity to purchase essentials such as food, fuel or transport.[2] The cumulative loss of annual spending power, despite the recent €5 (2022) and €12 (2023) nominal increases, means **welfare is being cut in real terms**.

One-off emergency payments will further reduce the gap, but many of these payments won't reach all households on welfare, and they won't compensate for the long-term effect of losing weekly spending power. For example, a person on a working age payment of €220 would need €1,688 in lump sum payments by the end of 2023 to compensate for their lost spending power despite the €12 increase in their weekly income, and a person on the Contributory State Pension would need €2,218. As shown below, most households do not receive the full range of emergency lump sum payments, and in every case the amount received falls short of the loss of spending power.

Emergency lump sum payments do not fully compensate anyone for the lost spending power of core welfare

The Department of Social Protection is **unfairly raising many older persons' expectations and hopes for major support from Budget 2023**. Unfortunately, many will be disappointed to not receive the scale of help that is being advertised. The examples put out on social media show the best case scenarios and not the typical experience.

Similarly, Minister McGrath's budget speech claimed that an older person living alone on Fuel Allowance will gain €2,375 between Budget Day and end-2023. This does not apply to many older persons.

[2] Ireland experienced 5.4% inflation in 2021 and the Government projects inflation of 8.5% in 2022 and 7.1% in 2023. These inflation rates were used in the above calculations. The CSO has also shown that lower income households and some household types (such as renters, older persons or lone parents) experience a higher-than-average level of inflation, which means a greater loss of spending power than illustrated above.

Figure 3. Department of Social Protection social media infographics on Budget 2023

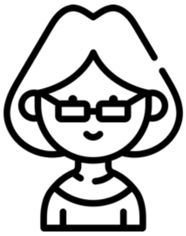
The announcement	The reality
€600 Electricity credits	Around 61% of older persons will fully benefit, as the rest will share the benefit with others in their household or will not receive the benefit. Bill payers will also benefit from the reduced VAT on energy and removal of the PSO levy.
€200 Living Alone lump sum	Around 31% of older persons (66+) receive the Living Alone increase. Older persons living with siblings or adult children are not eligible, despite being two households under one roof.
€400 Fuel Allowance lump sum	A maximum of 40% of older persons receive Fuel Allowance, and the expanded eligibility won't occur until January so new recipients won't receive the lump sum.
€625 from the extra €12/week in the State Pension in 2023	Only two-thirds of State Pension recipients get the full rate, meaning that a third will get less than this amount. Qualified Adults will receive less, even on a full rate pension.
€253.30 Bonus State Pension week	100% of State Pension recipients will benefit from the extra week's payment in October, which will be paid at the existing rate. Only two-thirds will get the full amount. However, around 58,000 people will turn 66 after October into next year, and so will not gain the lump sum despite facing the same loss of spending power in their State Pension.
€253.30 Christmas Bonus week	The 100% Christmas Bonus has been paid since 2018 and is an established part of welfare income. It is debatable whether this counts as an additional lump sum. Only two-thirds will get the full amount, and the 50,000 people turning 66 next year won't get it until Christmas 2023.
€2,331.60 Additional income[3]	**Many older persons, including older persons living alone, will receive significantly less than this amount.** **Also, lump sums received in 2022 can't be counted against lost spending power in 2023, as they are already spent to cover 2022's lost spending power.**

[3] This only adds up to the €2,375 announced by the Minister if the bonus payments are paid at the higher January rate, but they will actually be paid at the existing State Pension rate.

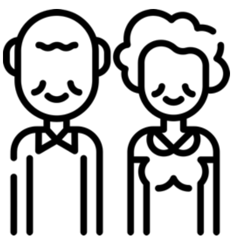
Case studies[4]

Three imaginary case studies illustrate how many typical older persons are not seeing the full effect of the measures announced in Budget 2023.

Paul (67) is a retired chef and, as he moved a lot for work, always rented. Now he can't afford to buy a home and rents outside Cork city for €1050/month (just below market average), where his extended family lives. As well a full rate contributory State Pension of €1242/month (including the Living Alone increase and double payments) Paul receives HAP. This covers €550 of his monthly rent but means he won't get the €500 renters tax credit. Paul is not unusual in spending a large proportion of his net income on rent. Because of a modest private pension that takes his weekly income over the threshold, Paul does not quality for Fuel Allowance, and so he won't get the lump sum. Despite the €12 increase in the State Pension from January, Paul's spending power will still be reduced. This is especially worrying as his landlord has told him he will raise the rent in 2023.



Leanne is in her mid-70s and lives in the home she and her late husband bought 40 years previously. Leanne receives the non-contributory State Pension but she lost the €22 Living Alone increase in the summer of 2022 because her adult son moved back home, unable to afford rented accommodation. Having her son around is good company, but it takes her outside the means test to receive Fuel Allowance, even though her home is poorly insulated and they are both on limited incomes. Due to the cost of energy, Leanne has reduced socialising and has given up the use of her sitting room, as she only heats the kitchen and the bedrooms. Her energy provider is putting up prices by 45% in November. Leanne won't benefit from either the Living Alone or Fuel Allowance lump sums and is worried about getting through the winter.



Catherine and Liam, in their mid-80s, live in their family home. A combination of private and State pensions gives them a yearly income of €45,000. While this is above average, they still struggle to make ends meet as Liam has a disability that requires expensive care. Catherine can't care full-time and so does not receive any welfare support or lump sum for carers. Similarly, Liam is ineligible for the disability lump sum as the qualifying payments are not available to people aged 66 or older. As well as care costs, Catherine and Liam are worried about the state of their home, as they have a leak in their roof and mold and damp as a result. Liam is confined to the ground floor, as the stairs are not accessible. The Housing Adaptation Grants do not cover enough of the costs for them to be able to afford to adapt their home.

[4] Older person icons created by Freepik – Flaticon, https://www.flaticon.com/free-icons/old

Examples of older persons' lived experience

"My home, built in the early 70s, is very expensive to heat and I can't afford to avail of the grants to upgrade it."

"Heating allowance should not be means tested – I am just over it and live alone so heating is a huge worry. Last winter I only had heat on from 6 to 8 pm ... got up late and went to bed early."

"I have a heart condition so I need to take tablets including blood thinners so I feel the cold a lot so if the income for the fuel allowance was increased it would help me."

"I have not had any heating on in my apartment for several months. I add layers and rugs to keep warm."

"I am cutting back a lot on food, clothes, heat, socialising, travel and holidays. No foreign holidays."

"I am living cautiously, there is less variety in my diet... Wore lots of layers, used a rug for heat, using car once a week for shopping."

"Everything from food to heating, etc. seems to get dearer by the week. Thank God for our free travel or we'd be like prisoners in our own homes."

"I definitely curb my activities, what I buy and what I eat in order to be able to cope with the rising cost of living."

"Against advice, I often carry heavy shopping because I can't afford to put petrol in car. I can't afford to replace my winter shoes."

"As someone with a mental health condition I know how beneficial it is to maintain social contact so the idea that it would be out of reach like during COVID-19 is very alarming."

"I try my best to not put the heating on at all and just use extra clothes, throws etc. to keep warm. Also petrol costs have meant that I have cut down my already very low usage of my car to just one trip a week to visit my elderly mother in a nursing home."

"As an older person, I can see a hermit's life ahead of me due to the risk of Covid and the high cost of living. I am no different to a lot of other older people."

—Respondents to Age Action's Pre-Budget Survey

Regional distribution

The following table shows the number of recipients of social protection payments in every county, all of whom will have lower spending power in 2023 despite the €12 (or partial) increase in their weekly income, and despite the emergency lump sum payments. The number of recipients provides some indication of the likely scale of hardship and poverty that may arise in 2023, and it also shows the scale of lost spending in the economy in each area.

Table 2. Number of welfare recipients by type and country 2021.[5]

County	State Pension recipients 2021	Working age income support recipients 2021	Disability and illness payment recipients 2021	Total recipients
Carlow	8,262	4,128	8,510	**20,900**
Cavan	10,400	4,771	8,355	**23,526**
Clare	17,920	7,702	13,150	**38,772**
Cork	73,237	27,666	65,075	**165,978**
Donegal	23,569	13,266	20,933	**57,768**
Dublin	160,993	91,109	123,162	**375,264**
Galway	33,784	14,532	27,112	**75,428**
Kerry	23,024	10,404	18,159	**51,587**
Kildare	24,613	12,655	21,663	**58,931**
Kilkenny	13,301	5,853	10,676	**29,830**
Laois	9,581	5,254	10,603	**25,438**
Leitrim	5,438	2,282	4,105	**11,825**
Limerick	27,652	11,644	27,935	**67,231**
Longford	6,151	3,174	6,056	**15,381**
Louth	16,903	10,565	15,932	**43,400**
Mayo	21,636	8,734	15,375	**45,745**
Meath	22,147	12,183	18,322	**52,652**
Monaghan	8,832	4,030	6,184	**19,046**
Offaly	10,202	4,933	11,534	**26,669**
Roscommon	10,256	3,717	8,371	**22,344**
Sligo	10,323	4,386	7,859	**22,568**
Tipperary	24,556	10,159	22,361	**57,076**
Waterford	17,232	8,752	14,119	**40,103**
Westmeath	12,020	6,034	12,091	**30,145**
Wexford	22,408	11,326	20,384	**54,118**
Wicklow	19,297	9,239	14,344	**42,880**
Other/ abroad	54,740	649	2,792	**58,181**
Total	**688,477**	**309,147**	**535,162**	**1,532,786**

[5] Department of Social Protection *Statistical Information On Social Welfare Services Annual Report 2021*

Lost aggregate demand

If a further €600 million is allocated to bring core weekly welfare up €20, it would be guaranteed to be spent in shops and services across the country, acting as a lifeline to many businesses who are struggling with the cost of energy and wage demands. COVID-19 emergency measures demonstrated the economic logic of boosting demand, and the same logic applies now as many businesses risk closure.

An affordable response to a cost of living crisis for households on low fixed incomes

Tax revenue in September 2022 was €12 billion higher than September 2021, an increase of 26%, with Corporation Tax accounting for less than half of the extra revenue available, VAT accounting for €2.8 billion and Income Tax accounting for €2.9 billion.[6] In addition, as of end-June 2022, the Social Insurance Fund was running a current account surplus €721 million, compared to a deficit of €1.1 billion at the same time in 2021.[7]

Every €1 increase in the rate of all core social welfare payments costs approximately €75 million.[8] As such, the additional €8 required to bring the adjustment from Budget 2023 up to €20/week would cost €600 million, which is 5.5% of the €11 billion allocation made in Budget 2023. For comparison, the electricity credit granting €600 to all households will cost €1.2 billion.

The Central Bank has noted that welfare increases are a targeted measure, whereas other decisions (such as the electricity credit for all households) are among €2 billion of Budget 2023 measures that were not targeted.[9] The Oireachtas Parliamentary Budget Office (PBO) has noted that "lower income households are particularly sensitive to inflation and often have little or no savings to help absorb sudden shocks." The PBO also noted that real fall in the rate of working age welfare payments and State Pension between 2021 and 2023.[10]

In August 2022, IMF advisers stated that European countries should protect the poorest households from energy price rises, "Putting in place relief measures to support low-income households—who have the least means to cope with spiking energy prices—is therefore a priority." And "Policymakers should shift decisively away from broad-based measures to targeted relief policies, including income support for the most vulnerable. For example, fully offsetting the increase in the cost of living for the bottom 20 percent of households would cost governments 0.4

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[6] Tax revenue in September 2021 was €45.87 billion versus €57.87 billion in September 2022, with Corporation Tax accounting for €5.8 billion of the difference and other taxes accounting for €6.2 billion. http://databank.finance.gov.ie/FinDataBank.aspx?rep=TaxYrOnYr

[7] https://www.gov.ie/en/collection/b08c7-quarterly-statistics/

[8] https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2022/2022-09-20_pbo-pre-budget-2023-ready-reckoner_en.pdf

[9] https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2022/quarterly-bulletin-q4-2022.pdf

[10] https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2022/2022-09-28_preliminary-review-of-budget-2023_en.pdf

percent of GDP on average for the whole of 2022. It would cost 0.9 percent of GDP to fully compensate the bottom 40 percent."[11]

In the UK, many MPs from the Conservative Party are currently calling on their Prime Minister to honour their pledge to index welfare rates against inflation (10%) and not just by average earnings (6%).[12] Despite recommendations such as from the Pensions Commission report, to benchmark and index welfare payments, the Irish Government continues to ignore the social justice and business benefits for welfare indexation, which would stabilise the incomes of those who rely on the state for a low, fixed income.

[11] https://www.imf.org/en/Blogs/Articles/2022/08/03/how-europe-can-protect-the-poor-from-surging-energy-prices

[12] https://www.theguardian.com/society/2022/oct/04/what-would-real-terms-benefits-cut-mean-uk-claimants-inflation-liz-truss