



# Tax Strategy Group

## Pay Related Social Insurance Rate Setting Options

September 2021

## **Pay Related Social Insurance – Budget 2022**

### **The Social Insurance System**

1. The social insurance system is central to the provision of social security in Ireland. It plays a major role in Irish life both in terms of the number of people who depend on it and the financial and economic scale of the system.
2. The basic principle underlying the social insurance system is that people, while they are economically active, make social insurance contributions in accordance with their earnings level or income from self-employment. It is an important vehicle of income redistribution, social cohesion and solidarity between generations, including those in work and those who are not. Contributions made today finance pension payments to an earlier generation of contributors and also pay for benefits to people who are temporarily economically inactive through, for example, illness or unemployment. In return, contributors build up entitlement to receive benefits on foot of their contributions, which will be paid to them provided they satisfy any non-contribution based eligibility criteria for the particular scheme, without having to undergo a means test. These benefits will be paid when contributors experience a specified contingency such as disability or unemployment or when they reach pension age.
3. This paper reviews the financial position of the Social Insurance Fund (SIF) at the end of 2020, the impact of the Covid-19 pandemic on the balance of the Fund in respect of 2020 and the estimated 2021 end-of-year income/expenditure position.
4. The paper outlines certain adequacy, sustainability and equity issues arising for the SIF, analyses the current social insurance contribution rates and thresholds including in comparison to EU standards and concludes by setting out a number of proposals that, if implemented, would help to maintain the viability of the Fund into the future.

### **The Social Insurance Fund**

#### **Financial Position to 2020 and the 2021 Further Revised Estimate**

5. The SIF operates on a pay-as-you-go basis, with the Exchequer acting as the residual financier of the Fund where there is a shortfall between social insurance income into the Fund and the cost of social insurance benefits paid out of it.
6. In 2016, a surplus of €454 million was recorded, the first surplus since 2007. Further surpluses of €731 million, €1,134 million and €1,569 million were recorded in 2017, 2018 and 2019 respectively. The accumulated surplus at the end of 2019 was almost €3.9 billion.

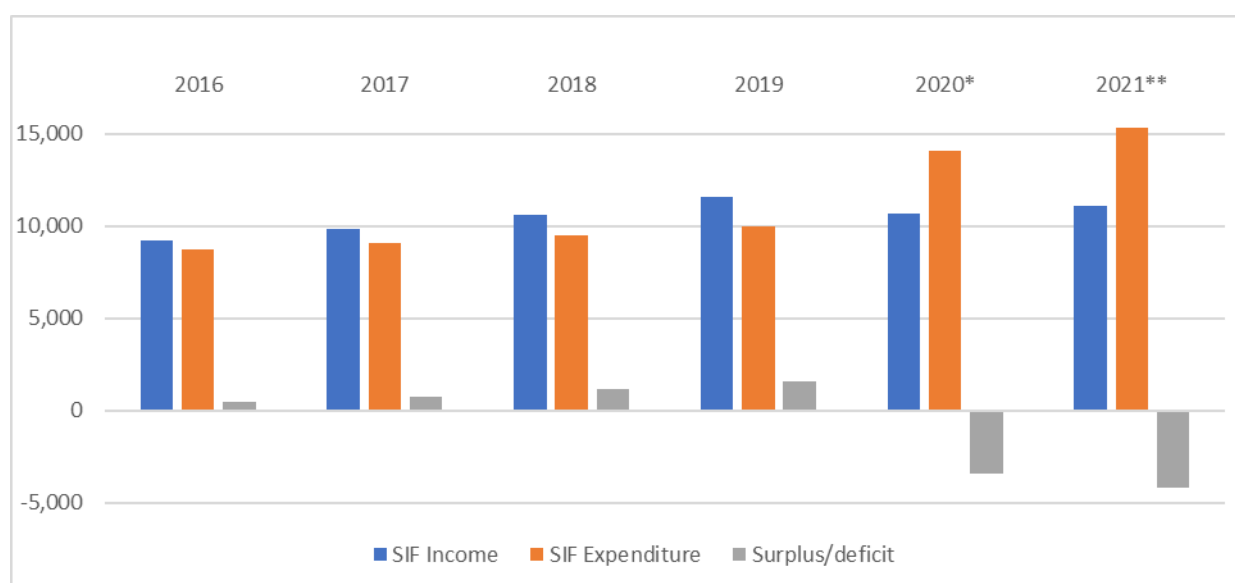
7. The economic impact of the Covid-19 pandemic resulted in significant SIF expenditure arising in 2020 and which continues into 2021. Most of the increase in such expenditure relates to the Pandemic Unemployment Payment which was introduced to support employees who lost their employment and self-employed workers whose businesses ceased or were significantly impacted due to the pandemic. The total cost of this payment to the SIF in 2020 was €3.66 billion.
8. This expenditure in addition to a reduction in income from social insurance contributions due to lower employment and certain measures taken to remove or reduce employee and/or employer social insurance contribution liabilities to support the wage subsidy schemes meant that the SIF had a deficit of €3.44 billion in 2020. This was funded from the accumulated surplus built up between 2016 and 2019, leaving a surplus of €450 million at the end of 2020.
9. As a result of the imposition of Covid-19 Level 5 restrictions during the first quarter of 2021 and the ongoing cost of funding the Pandemic Unemployment Payment each week, the accumulated surplus of €450 million was eliminated in early February 2021. An Exchequer subvention is required to fund the ongoing deficit in the SIF since then.
10. The 2021 Further Revised Estimate forecasted that SIF expenditure for 2021 will increase from €14.1 billion in 2020 to €15.3 billion in 2021. While social insurance contribution income is estimated to increase from €10.7 billion in 2020 to €11.1 billion in 2021, an estimated deficit of €4.2 billion at the end of 2021 is anticipated with €3.8 billion required from Exchequer subvention.
11. The following Table and Figure set out the income and expenditure of the SIF in respect to the years 2016 to 2020 and the expected position at end 2021.

**Table 1 - SIF Income and Expenditure 2016 to 2021 (€ Millions)**

	2016	2017	2018	2019	2020*	2021**
	€millions	€millions	€millions	€millions	€millions	€millions
<b>SIF Income</b>	9,217	9,816	10,625	11,585	10,666	11,130
<b>SIF Expenditure</b>	8,763	9,085	9,491	10,016	14,102	15,345
<b>Surplus/deficit</b>	<b>454</b>	<b>731</b>	<b>1,134</b>	<b>1,569</b>	<b>-3,438</b>	<b>-4,215</b>
<b>Accumulated surplus/deficit at end of year</b>	454	1,185	2,319	3,888	450	-3,765

\* 2020 Provisional Outturn      \*\* 2021 Further Revised Estimate

**Figure 1 - SIF Income, Expenditure and Surplus/Deficit 2016 to 2021**



\* 2020 Provisional Outturn    \*\* 2021 Further Revised Estimate

### **Additional Funding Challenges**

12. The original Revised Estimate for the Department was published in December 2020 and reflected projected 2021 expenditure at Budget time in October 2020, prior to the imposition of Level 5 restrictions from late October 2020. While it projected SIF 2021 expenditure of €12 billion, the Further Revised Estimate, approved by the Dáil in June 2021, estimated SIF expenditure for the year to be €15.3 billion - an increase of over 27%. While the projected SIF income also increased from the original estimate of €10.4 billion to €11.1 billion, the shortfall between income and expenditure will be greater than originally anticipated at the beginning of 2021.
13. There was a considerable increase in social insurance income to the SIF from employer (68%), employee (81%) and self-employed worker (91%) contributions from 2010 to 2019 due to the economic recovery. The SIF expenditure steadily increased by around 6% for the same period. These figures somewhat conceal the substantial increase in pension expenditure in the recent past. Aside from pensions and not taking account of the Covid-19 income supports, expenditure on other social insurance benefits has mainly decreased over the past ten years. However, total expenditure has been increasing year on year. This is primarily driven by the continuous increase in pension expenditure which has risen by 46% in the period 2010 to 2019. The forthcoming report from the Pensions Commission is expected to present a range of options for the Government to consider in order to address the sustainability of the State pension and the SIF in terms of pension age, eligibility criteria, contribution rates, pension calculation methods and pension payment rates.

14. The most recent Actuarial Review of the SIF, published in 2017 and relating to the 2015 position, projects the contribution income to and the expenditure from the SIF. The key objective of the Review is to consider the adequacy or otherwise of the current contribution rates to finance social insurance benefits. The key findings of the Review are:

- The pensioner support ratio is projected to decline from 4.9 workers contributing into the SIF for every pensioner drawing from it to 2.9 workers in 2035 and to 2.0 workers by 2055.
- Annual shortfalls are projected to increase from 2021 onwards as the ageing of the population starts to impact. In the longer term, sizeable Exchequer subvention will be required to meet ongoing expenditure requirements in the absence of reductions in expenditure levels or increases in social insurance income.
- The Review's calculations of the annualised contribution rates that would need to be invested in order to replicate State Pension (Contributory) and other benefits for individuals entering the system at age 25 on National Average Earnings (NAE) is 15.5% for the State pension alone and 18.4% where Invalidity, Illness and Jobseeker's Benefits are also taken into account.
- In the medium to long-term, pension-related expenditure is projected to continue to be the predominant component of SIF expenditure rising from 70% in 2016 to circa 80% in 2071.

15. Preparations to undertake the 2020 Actuarial Review of the SIF are underway with a view to its completion and publication in 2022.

### **SIF Adequacy, Sustainability and Equity Issues**

16. The social insurance system contains a number of long-standing features that may no longer be adequate, sustainable or equitable. They include:

#### **Social Insurance Access Threshold**

The entry threshold for persons to access social insurance coverage depends on whether the person is employed or self-employed. Employed persons with weekly earnings of €38 (€1,976 per annum), become compulsorily insurable and have access to the full range of long and short term social insurance benefits. The entry threshold equivalent of €38 has not changed since 1994. It facilitates employees with negligible attachment to the workforce to access the full range of social insurance benefits funded by the SIF.

The Department's 2019 TSG Paper 19/06 proposed increasing the threshold from €38 to €118 which was equivalent to a minimum of one and a half days' work per week (12 hours) at the national minimum wage at the time. This change would represent a

saving for employers who would no longer pay social insurance contributions for those earning between €38 and €118 per week. While there would also be an initial slight reduction in income to the SIF, this would in time be offset by expenditure savings on short-term schemes as those earning below the new threshold could not establish entitlement to these benefits but would continue to have access to social assistance schemes.<sup>1</sup>

Based on the current national minimum wage of €10.20 per hour, an employee has to work less than four hours per week at that rate to gain access to all social insurance benefits. Self-employed workers require an annual income of €5,000 to become compulsorily insurable and therefore have access to most long and short-term social insurance benefits. In effect, self-employed persons are required to earn an additional €3,024 per annum (€58.15 per week) compared to employed persons in order to gain access to social insurance coverage and at that they do not have access to the full range of social insurance benefits enjoyed by employed contributors.

### **Voluntary Contribution Rates**

Former social insurance contributors under age 66 have the option, once they cease to be compulsorily insured, to make voluntary contributions to maintain the State pension entitlements that they had secured while compulsorily insured. However, while voluntary contributions secure access to the same level of benefits, the rates of contributions for former employed and self-employed contributors differ.

Former compulsorily insured self-employed contributors are required to pay a flat rate of €500 per annum while former compulsorily insured employed contributors pay 6.6% of their reckonable income in the preceding year or an annual minimum charge of €500 whichever is the higher amount.<sup>2</sup> Therefore, former compulsorily insured employed contributors with earnings of more than €7,575 per annum in the preceding year, will pay in excess of €500 for voluntary contributions which is greater than the flat rate currently paid by former compulsorily insured self-employed workers.

### **Employee Liability to Pay a Social Insurance Contribution Threshold**

Employed workers earning between €38 and €352 per week are not liable to pay social insurance contributions. In effect, employed contributors earning the national minimum wage can work up to 34.5 hours per week and will not be liable to make a social insurance contribution. Their employer is liable to pay an 8.8% contribution on employees' weekly earnings up to €398.

The €352 threshold has not changed since 2008 and while maintaining it at its current level may meet the solidarity objective of the social insurance system through increased redistribution, it also acts to weaken the contributory principle underpinning the system.

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<sup>1</sup> Link to 2019 TSG Paper: [Budget 2020 Tax Strategy Group Papers](#)

<sup>2</sup> A rate of 2.6% applies to former civil and public sector contributors who were last compulsorily insured at either social insurance class B, C or D as they do not have access to the State Pension (Contributory)

In 2019, there were circa 624,000 employed workers earning between €38 and €352 per week. This represents around 26% of the total number of class A social insurance contributors with access to the full range of social insurance benefits without the payment of any employee social insurance contribution. The contribution liability threshold of €352 (€18,304 per annum) is higher than the other two charges on employee income in Ireland as, currently, the exemption limit for the Universal Social Charge is €13,000 per annum while liability for income tax arises on income over €16,500 per annum.

### **Lower Rate of Employer Social Insurance Contribution**

Employers pay a lower employer social insurance rate of 8.8% in respect of employees' earnings between €38 and €398 per week. The €398 threshold ensures that employers pay the lower 8.8% social insurance rate for employees on the national minimum wage of €10.20 per hour working 39 hours per week (€397.80 per week). Therefore, in parallel to any increase in the national minimum wage, the threshold has increased to ensure that employers are not liable to pay the higher social insurance contribution rate solely due to the increase in the national minimum wage.

Based on 2019 data, there are some 750,000 employees earning between €38 and €398 per week which represents 31% of the total class A employees. However, the employer contribution to the SIF in respect of them, at circa €600 million per annum, represents just 7% of the total income from employers for all class A employees.

Increasing the lower employer social insurance contribution threshold for national minimum wage purposes is broad in scope. It has resulted in bringing part-time workers earning in excess of the national minimum wage but whose earnings do not exceed the €398 weekly threshold within the lower employer contribution rate and thus acts to reduce the employer contribution to the SIF.

### **Self-Employed Worker Social Insurance Contribution Rate**

The Department's 2020 TSG Paper 20/04 discusses the social insurance contribution made by self-employed workers in the context of the range of benefits to which they have access.<sup>3</sup> Such contributors are now covered for most of the benefits available under the social insurance scheme which represents approximately 93% of the value of all benefits funded by the SIF. However, while the contribution they make is 11 percentage points lower than that made in respect of employed contributors, they enjoy access to benefits which comprise over 90% of the value of all benefits available to employed contributors. The paper proposed to increase the rate of social insurance contribution made by self-employed workers incrementally over four budgets to the current standard rate of employer contribution i.e. 11.05%.

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<sup>3</sup> Link to 2020 TSG Paper: [Budget 2021 Tax Strategy Group Papers](#)

## Social Insurance Contribution Rates

One of the Programme for Government “Our Shared Future” commitments is that: *consideration will be given to increasing all classes of social insurance over time to replenish the Social Insurance Fund to help pay for measures and changes to be agreed including, inter alia, to the state pension system, improvements to short-term sick pay benefits, parental leave benefits, pay-related jobseekers benefit and treatment benefits (medical, dental, optical, hearing).*

Employees paying class A social insurance contributions and their employers contribute the biggest percentage, circa 93%, of the total social insurance contributions (15.05% of employee earnings between them) made to the SIF. The next biggest cohort of contributors, contributing circa 5% of the total social insurance contributions, are self-employed workers who contribute at a rate of 4% on their income at or above €5,000 per annum.

These contribution rates are below the actuarially recommended social insurance rates. As discussed earlier in this paper, the 2015 Actuarial Review set out the contribution rates that would need to be paid to replicate the State Pension (Contributory) and other benefits. A person entering the social insurance system at age 25 and on national average earnings would need to contribute 15.5% on their weekly earnings to pay for the State Pension (Contributory) alone. This percentage increases when additional benefits are included. Furthermore, these percentages are likely to increase in the coming years as the demographic ageing of the population begins to accelerate resulting in less workers paying into the SIF to cover the rising number of people claiming benefits, including pensions, from it.

In “The Future of the Irish Social Welfare System: Participation and Protection” paper published in November 2020 by the National Economic & Social Council (NESC), one of the options set out to improve the financial sustainability of the SIF is to increase the rate of social insurance contributions.<sup>4</sup> The paper considered the current social insurance contribution rates as low by international standards and in particular advocated that the self-employed rate would need to be increased to reflect the benefits such contributors are now eligible to access. Additionally, in “The Position of the Self-Employed” paper published by the NESC in November 2020 which considered the position of self-employed workers in Ireland in relation to the social welfare system, 14 out of 15 stakeholders interviewed for the paper were of the view that self-employed workers should pay a higher social insurance contribution.<sup>5</sup>

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<sup>4</sup> Link to Paper: [NESC Report 151 - The Future of the Social Welfare System](#)

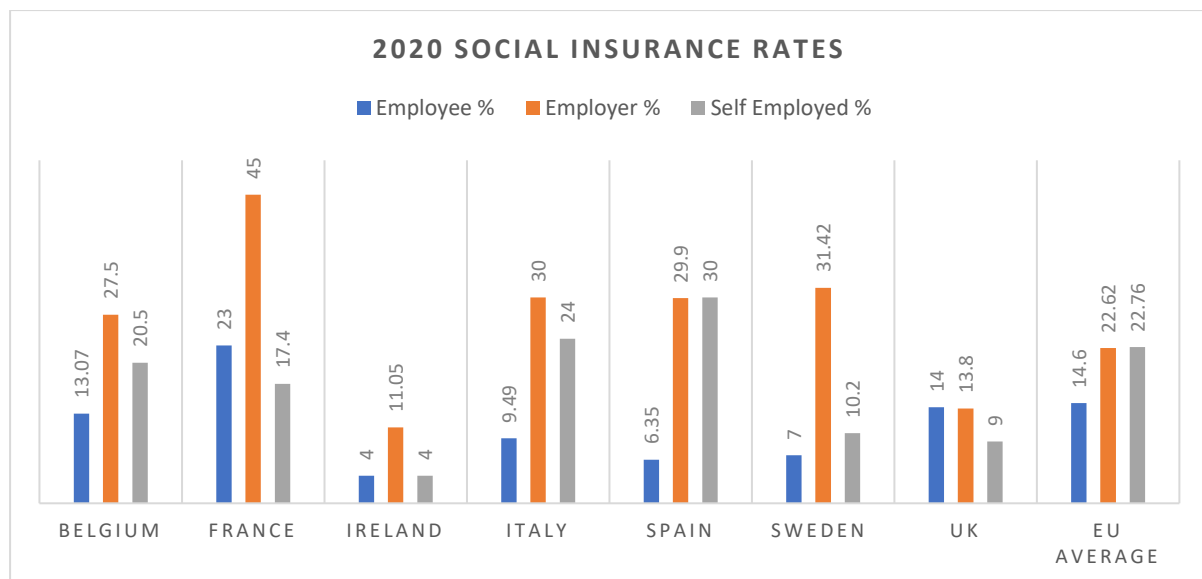
<sup>5</sup> Link to Paper: [NESC Report 151 – The Position of the Self-Employed Background Paper](#)



## The Social Insurance System in an EU Context

17. In developing the proposals set out later in this paper, it is informative to consider Ireland's social insurance system in a comparative EU and UK context.
18. Figure 2 below shows the 2020 employee, employer and self-employed worker social insurance rates from a selection of European Union (EU) countries including Ireland, and the UK. Within the EU, Ireland has one of the lowest levels of employee and employer social insurances rates at 4% and 11.05% respectively. These rates are considerably lower than the EU average of 14.6% employee and 22.62% employer. In addition, Ireland has the lowest level of self-employed worker social insurance rate at 4%. This is over 18 percentage points lower than the average EU rate of 22.76%.
19. While EU Member States' social insurance models differ and the contingencies and benefits vary, Ireland's social insurance rates are markedly lower in comparison.
20. Appendix 1 sets out the 2021 social insurance rates in the 27 EU Member States and the UK.

**Figure 2 - 2020 Social Insurance Rates from a selection of EU countries and the UK**



Source: KPMG social security employee and employer tax rate tables and the Department of Social Protection calculations of the 2020 OECD Tax Database (self-employed)

21. Table 2 which follows shows the weekly earnings required to qualify for social insurance coverage from a selection of EU countries including Ireland, and the UK. Ireland's social insurance entry earnings threshold is significantly lower compared to Germany, Spain, Italy and the UK. However, a number of other countries have either a low or no weekly earnings threshold to qualify for social insurance coverage.

22. The table also displays the entry points at which employee social insurance rates are charged. In Ireland, employees start paying the 4% social insurance rate once weekly earnings exceed €352 (€18,304 per annum). Amongst this selection of countries, Ireland has the highest earnings threshold for employees to have a social insurance contribution liability. Most EU countries and the UK have either a zero or lower salary amount before employees start paying social insurance. For example, Spain and the UK's earnings levels at which employees start paying social insurance is circa €242 and €194 per week respectively.

**Table 2 - Weekly Earnings to Access Social Insurance and Annual Earnings Threshold at which Social Insurance is Charged.**

Country	Weekly Earnings to Access Social Insurance	Annual Earnings Threshold at which Social Insurance is charged
<b>Ireland</b>	<b>€38.00</b>	<b>€18,304.00</b>
France	None	None
Germany	€103.85	None
Spain	€242.31	€12,600.00
Sweden*	€1.98	€1,923.68
Italy	€96.15	None
The Netherlands	None	None
United Kingdom*	€137.67	€10,071.00

Source: Missoc.org (1st January 2020 Comparable tables), 2019 OECD Statistics (<https://stats.oecd.org/>) and [www.gov.uk](http://www.gov.uk) (\*denotes amounts converted to euro)

23. Table 3 overleaf displays the entry points at which employer social insurance rates are charged in a selection of EU countries including Ireland, and the UK. Similar to other countries, Ireland's employers are required to pay the social insurance rate on employed workers earnings once the worker qualifies for social insurance coverage. Spain and the United Kingdom are the exception as in these countries the employer starts paying the social insurance rate once the worker's earnings are over a specified amount. It is evident from the table that Ireland has the lowest employer social insurance rates of these countries.

**Table 3 - Employer Social Insurance Rates for a selection of EU countries and the UK**

	Band 1			Band 2		
Country	Rates	Lower Limit	Upper Limit	Rates	Lower Limit	Upper Limit
Ireland*	8.7%	0	€20,072.00	10.95%	€20,072.00	No Maximum
France**	35.9%	0	€40,524.00	35.90%	€40,524.00	€121,572.00
Germany	19.8%	0	€54,450.00	10.60%	€54,450.00	€80,400.00
Spain	29.9%	€12,600.00	€8,841.20	No further charges		
Sweden	31.4%	No minimum or maximum limits				
United Kingdom***	13.8%	€10,071.00	No Maximum	No further charges		
*The lower and upper Irish employer social insurance rates in 2019 were 8.7% and 10.95% respectively						
** France has additional employer bands for higher earners.						
*** Converted to euro						

Source: 2019 OECD Statistics (<https://stats.oecd.org/>)

24. While the social insurance systems in different countries can vary in their composition, scope and benefits, Ireland is clearly an outlier when compared to other EU countries and the UK in these key respects.

### **Proposed Amendments to the Social Insurance System**

25. In line with the foregoing analyses, the deficit position of the SIF, the actuarial costs projections into the future and prevailing adequacy, sustainability and equity issues that characterise the social insurance system, consideration should be given to:

- increasing the weekly earnings threshold for access to social insurance coverage for employees from €38 to €96.15 per week (€5,000 per annum). Consequently, employees will require weekly earnings of at least €96.15 to be insurable. The proposed increased threshold is the weekly equivalent of the current annual income level required of self-employed persons to access social insurance cover.
- introducing a standard flat rate annual voluntary contribution charge for former compulsorily insured employed (social insurance classes A, E and H) and self-employed contributors of €600 from 2023 and to incrementally increase the rate to €750 and to €1,000 in 2025 and 2027 respectively.
- reducing the threshold above which employees are liable to pay a social insurance contribution from €352 to €250 (€13,000 per annum) to align with the USC charge threshold. The PRSI Credit mechanism which currently acts to reduce, on a tapered scale, the amount of social insurance payable by employed contributors earning between €352 and €424 per week could be extended to encompass all contributors earning between the new threshold of €250 and €424 per week. This would mitigate the ‘step-effect’ of moving from having no liability to becoming liable for the 4% employee social insurance contribution rate.

- increasing the social insurance contribution rate of self-employed contributors to that of the proposed single standard rate of employer social insurance contribution. In this context, it is intended that the remaining social insurance benefits not currently accessible by self-employed contributors would be incrementally extended to them.<sup>6</sup>

Table 4 displays the proposal to increase social insurance rates for self-employed contributors. It is proposed to incrementally increase the self-employed workers social insurance rate to the new standard rate of employer social insurance (proposed to be 12.55%) over a 6-year period. Beginning in 2023, the rate will be increased by 1.5% per year up to 2027 with a further increase in 2028 of 1.05%.

**Table 4 - Proposed Social Insurance Rate Increases for Self-Employed Contributors**

<b>Proposed Self-Employed Class S Rate Increases</b>		
<b>Year</b>	<b>Rate Increase</b>	<b>New Rate</b>
2022		4%
2023	1.50%	5.50%
2024	1.50%	7.00%
2025	1.50%	8.50%
2026	1.50%	10.00%
2027	1.50%	11.50%
2028	1.05%	12.55%

- phasing out the lower employer social insurance contribution rate and increasing both the employer higher and employee (classes A, E and H) social insurance contribution rates:
  - phase out the lower employer social insurance contribution rate of 8.8% in three stages over a 5-year period from 2023 to 2027 by increasing it by 1.25% in each stage to reach the higher employer rate;
  - increase the social insurance contribution rate for both employees and employers by 1.5% in three stages over a 5-year period. Beginning in 2023, a 0.5% increase in both the employee and higher employer contribution rates is proposed for 2023, 2025 and 2027.

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<sup>6</sup> These benefits are: Illness Benefit, Health and Safety Benefit, Occupational Injuries Benefits and Carer's Benefit

Table 5 sets out the various social insurance contribution rate increases and the timescale for doing so when these measures are combined.

**Table 5 - Proposed Social Insurance Rate Increases for Employed Contributors and their Employers**

Proposed Employee and Employer Social Insurance Contribution Rate Increases								
Year	Social Insurance Rate Increase	Class A (Rate)			Class E (Rate)		Class H (Rate)	
		EE Rate	ER Lower	ER Higher	EE Rate	ER Rate	EE Rate	ER Rate
2022		4%	8.80%	11.05%	3.33%	6.87%	3.90%	10.35%
2023	0.5% (EE), 1.25% (ER Lower) 0.5% (ER Higher)	4.50%	10.05%	11.55%	3.83%	7.37%	4.40%	10.85%
2024		4.50%	10.05%	11.55%	3.83%	7.37%	4.40%	10.85%
2025	0.5% (EE), 1.25% (ER Lower) 0.5% (ER Higher)	5%	11.30%	12.05%	4.33%	7.87%	4.90%	11.35%
2026		5%	11.30%	12.05%	4.33%	7.87%	4.90%	11.35%
2027	0.5% (EE), 1.25% (ER Lower) 0.5% (ER Higher)	5.50%	12.55%		4.83%	8.37%	5.40%	11.85%

26. Provisional estimates of the yield/loss to the SIF from the above proposals are set out in Appendix 2.

27. It is considered that these proposals will improve the adequacy, sustainability and equality of the social insurance system as well as the future viability of the SIF. The proposals will, in particular:

- enhance equity between the social insurance contribution rates and benefit coverage among employed and self-employed workers. Both cohorts will have full benefit coverage while each paying an equitable level of social insurance contribution to the SIF;
- align the entry income threshold to entitlement to social insurance for both employed and self-employed workers;
- ensure equality between contributors by introducing a flat rate charge for voluntary contributors accessing the same benefits;
- help to alleviate the significant sustainability challenge facing the SIF over the next ten years by increasing SIF income.
- bring the Irish social insurance contribution approach closer to the EU average for employed workers, their employers and self-employed workers.

28. The Tax Strategy Group is invited to consider this paper.

## Appendix 1

### 2021 Rates of Social Insurance in the 27 EU Member States and the UK

Member State	Employee %	Employer %
Austria	18.12	21.38
Belgium	13.07	25
Bulgaria	13.78	19.02
Croatia	20	16.5
Republic of Cyprus	8.3	8.3
Czech Republic	11	33.8
Denmark <sup>7</sup>	DKK94.65 p/m	Approx. DKK10-12,000 p/a
Estonia	3.6	33.8
Finland	10.89	20.66
France	23	45
Germany	20.23	19.98
Greece	14.12	22.54
Hungary	18.5	17
<b>Ireland</b>	<b>4</b>	<b>11.05</b>
Italy	9.49	30
Latvia	10.5	23.59
Lithuania	19.5	1.77
Luxembourg	12.45	15.17
Malta	10	10
Netherlands	27.65	23.59
Poland	13.71	22.14
Portugal	11	23.75
Romania	35	2.25
Slovakia	13.4	35.2
Slovenia	22.1	16.1
Spain	6.35	29.9
Sweden	7	31.42
UK	14	13.8

Source: KPMG social security employee and employer tax rate tables<sup>8</sup>

<sup>7</sup> The rates are based on 2020 data

<sup>8</sup> The data are not directly comparable as different approaches, thresholds and ceilings apply across EU Member States

## Appendix 2

### Provisional Estimated Yield/Loss to the Social Insurance Fund from the Proposals

#### Access to Social Insurance Threshold Increase

The proposal to increase the employee earnings threshold to gain access to the social insurance system is estimated to result in a loss of €7.3 million to the SIF.

#### Standard Voluntary Contribution Charge

The following table sets out the expected yields from introducing a standard voluntary contribution flat rate charge for former compulsorily insured employed (classes A, E and H) and self-employed contributors.

**Table 6 - Voluntary Contribution Yield Based on 2018 Data**

Voluntary Contribution Numbers				Proposed Flat Rate Charge		
Year	2018			2023	2025	2027
Formerly	Contributor Numbers	Average Contribution	Full Year Yield	€600 Flat Rate	Increase to €750	Increase to €1,000
Employed	1169	€594.00	€ 694,500.00	€ 701,400.00	€ 876,750.00	€1,169,000.00
Self- Employed	2565	€500.00	€1,282,500.00	€1,539,000.00	€1,923,750.00	€2,565,000.00
Total	3734		€1,977,000.00	€2,240,400.00	€2,800,500.00	€3,734,000.00
Yields				€ 263,400.00	€ 823,500.00	€1,757,000.00

Source: Client Eligibility Services, Department of Social Protection

#### Reduce the Employed Contributors' Social Insurance Threshold

The proposal to reduce the employee social insurance liability threshold of €352 to €250 is expected to result in a further 10% of the total number of class A contributors becoming liable to make a social insurance contribution yielding an estimated additional income of €62m per annum to the SIF. This will affect 243,400 contributors who are currently earning between €250.01 and €352 per week while a further 195,800 contributors currently earning between €352 and €424 will also, to some extent, be affected as a result of extending the PRSI Credit mechanism.

#### Phase Out the Lower Employer Social Insurance Rate

The proposal to phase out the lower employer social insurance rate of 8.8% by increasing it to the higher employer rate in three phases over a five-year period from 2023 to 2027 is expected to yield an additional €85 million per annum to the SIF.

## Increase Social Insurance Contribution Rates

The following table sets out the estimated yields from the proposals to increase the rates of social insurance paid by self-employed workers, employees (class A) and their employers.

**Table 7 - Yields from Self-Employed Workers, Employed Workers and their Employers**

<b>Self-Employed Workers Class S Social Insurance Contribution Rate Increases</b>	
<b>Rate</b>	<b>Full Year Yield (€ million)</b>
Current Rate 4%	536
Increase to 5.5% from January 2023	727
Increase to 7.0% from January 2024	922
Increase to 8.5% from January 2025	1,118
Increase to 10.0% from January 2026	1,314
Increase to 11.5% from January 2027	1,511
Increase to 12.55% from January 2028	1,649

<b>Employee Class A Social Insurance Contribution Rate Increases</b>		
<b>Year</b>	<b>Rate</b>	<b>Full Year Yield (€ million)</b>
Current Rate 4%		2,973
From January 2023	Increase to 4.5%	3,351
From January 2025	Increase to 5%	3,728
From January 2027	Increase to 5.5%	4,106

<b>Employer Class A Social Insurance Contribution Rate Increases</b>		
<b>Year</b>	<b>Rate</b>	<b>Full Year Yield (€ million)</b>
Current Rates 8.8%/11.05%		8,735
From January 2023	Increase to 10.05%/11.55%	9,189
From January 2025	Increase to 11.3%/12.05%	9,643
From January 2027	Increase both rates to 12.55%	10,095

Source: Business Intelligence Unit, Department of Social Protection