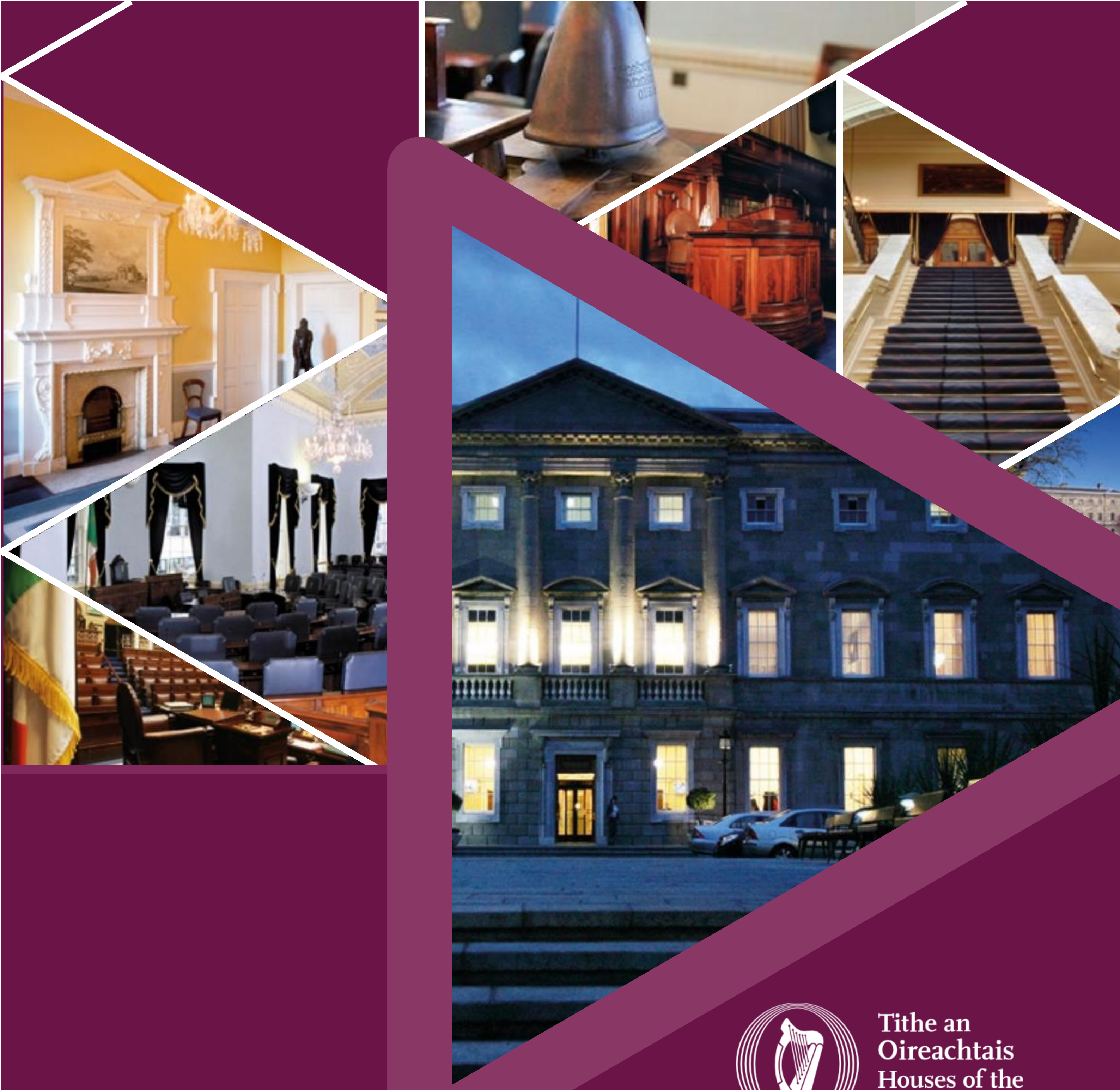

Tithe an Oireachtais
Houses of the Oireachtas

An Oifig Buiséid Pharlaiminteach

Parliamentary Budget Office

# The Social Insurance Fund

Publication 18 of 2025

## Séanadh

Is í an Oifig Buiséid Pharlaiminteach (OBP) a d'ullmhaigh an doiciméad seo mar áis do Chomhaltaí Thithe an Oireachtais ina gcuid dualgas parlaiminteach. Ní bheartaítear é a bheith uileghabhálach ná críochnúil. Féadfaidh an OBP aon fhaisnéis atá ann a bhaint as nó a leasú aon tráth gan fógra roimh ré. Níl an OBP freagrach as aon tagairtí d'aon fhaisnéis atá á cothabháil ag tríú páirtithe nó naisc chuig aon fhaisnéis den sórt sin ná as ábhar aon fhaisnéise den sórt sin. Tá baill foirne an OBP ar fáil chun ábhar na bpáipéar seo a phlé le Comhaltaí agus lena gcuid foirne ach ní féidir leo dul i mbun plé leis an mórphobal nó le heagraíochtaí seachtracha.

Is de chineál ginearálta í an Fhaisnéis. Baineann éiginnteacht le ráitis réamhbhreathnaitheacha agus d'fhéadfadh go dtiocfaidh nithe suntasacha chun cinn mar thoradh ar an bhFaisnéis. Ní sholáthraítear ráiteas cinntitheach leis an bhFaisnéis i ndáil le haon saincheist ar leith nó i ndáil le himthoisc phearsanta. Ní comhairle atá san Fhaisnéis. Ní mór a dheimhniú duit féin go bhfuil an Fhaisnéis a sholáthraímidne, an Oifig Buiséid Pharlaiminteach agus Coimisiún an Oireachtais (lena n-áirítear seirbhísigh, gníomhairí agus conraitheoirí na hOifige agus an Choimisiúin) oiriúnach agus iontaofa. Ní ghlacaimid aon fhreagracht as cruinneas ná oiriúnacht, ná eile, na Faisnéise agus ní thugaimid aon ráthaíocht ná aon ghealltanas ná aon bharánta i leith an chéanna; ná go mbeidh ár leathanaigh ghréasáin nó an Fhaisnéis nó ábhar eile saor ó earráidí, saor ó víris nó saor ó shárú. Ní ghlacaimid aon dliteanas (lena n-áirítear i leith éilimh maoine intleachtúla) a eascróidh as aon ábhar tríú páirtí nó aon suíomh gréasáin tríú páirtí a gcuirfimid nasc ar fáil chuige nó dá ndéanfaimid tagairt. Ní ghlactar le haon dliteanas ar bith, a mhéid is mó a cheadaítear faoin dlí is infheidhme nó (i) as aon iontaoibh a chuirfear san Fhaisnéis nó san ábhar ar ár leathanaigh ghréasáin nó (ii) as aon chaillteanas nó damáiste a eascróidh as an úsáid a bhainfidh tú as na leathanaigh ghréasáin sin nó i dtaca leis an úsáid sin. Féach ár bhFógra Séanta cuimsitheach anseo. I gcás aon easaontacht a bheith idir an Séanádh seo agus ár bhFógra Séanta cuimsitheach, is ag an gceann deireanach a bheidh an forlámhas.

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# Contents


**1. INTRODUCTION ..... 1**

**2. HOW THE SIF OPERATES ..... 2**

2.1. SIF INCOME ..... 4
2.2. SIF EXPENDITURE ..... 6
2.3. THREATS FACING THE SIF ..... 8

**3. CONCLUSION ..... 10**

# 1. Introduction

The Social Insurance Fund (SIF) was established under the Social Welfare Act 1952 to provide funding for social insurance entitlements primarily through Pay Related Social Insurance (PRSI) contributions. These contributions are made by employers, employees, and self-employed individuals.[1] Contributory schemes such as the State Pension, Jobseeker's Pay-Related Benefit, and Guardian's Payment are funded by the SIF.[2] SIF funding is allocated in respect of benefit schemes (entitlement derived from payment of PRSI contributions).

For 2025, as per the Revised Estimates for Public Services, €13.69 billion has been set out for SIF funded schemes.[3,4]

This note provides an overview of the SIF's operation, income, expenditure, as well as the risks facing the fund heading into the future, particularly in light of recent developments of tariffs imposed on Ireland which could have a negative impact on the labour force contributing to the receipts of the fund.

Importantly, the SIF is projected to enter a deficit by 2035;[5] however, as shown in this paper there have been two shocks in recent memory which have pushed the SIF into deficit. As such, the SIF's reserves are considerably more volatile than might be assumed when reserves often value several billion euro.

When the SIF enters a deficit (insufficient income and reserves to meet its liabilities) a subvention is provided through the Social Protection Vote i.e funded through the Exchequer. Where this occurs, this negatively impacts on the capacity of Government to fund other policy priorities.

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[1] Department of Social Protection, PRSI - Pay Related Social Insurance (Accessed May 2025).
[2] Citizens Information, Social insurance (PRSI) (Accessed May 2025).
[3] Department of Public Expenditure, NDP Delivery and Reform, Revised Estimates for Public Services 2025 (December 2024) p.179.
[4] Spending by the Social Insurance Fund and the National Training Fund (NTF) are set out in the Revised Estimates for Public Services despite these being non-Voted spending. This is because they form part of Government Expenditure as defined in the Ministers and Secretaries (Amendment) Act 2013
[5] Department of Social Protection, Actuarial Review of the Social Insurance Fund 31 December 2021 (January 2024) p.10.

## 2. How the SIF Operates

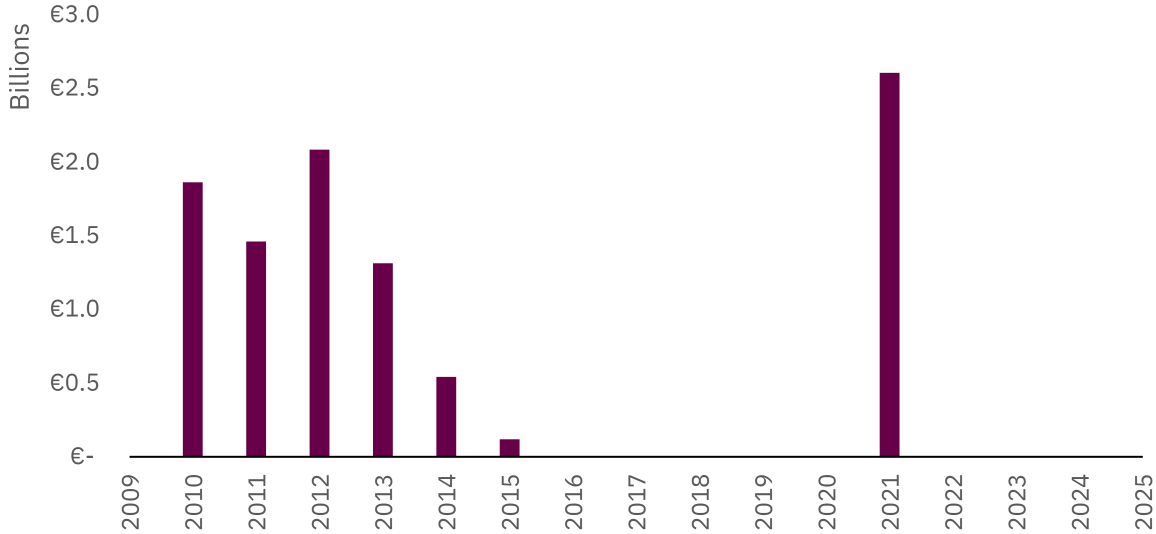
The SIF operates on a Pay As You Go (PAYG) model, where current PRSI contributions are used to meet the fund's liabilities.[6] The fund comprises two accounts: a current account managed by the Minister for Social Protection, and an investment account managed by the Minister for Finance. The investment account holds reserves to address future shortfalls. A Paymaster General 'special account' was established in 2012 to hold funds transferred from the Exchequer for the purposes of meeting SIF short-term funding (liquidity) challenges. These advances to the SIF are **repayable**.[7]

Where the SIF's income is insufficient to meet its liabilities, it will first use any accumulated reserves to ensure continuity of payments; however, once the reserves are exhausted subventions from the Exchequer are required to address the shortfalls. Subventions are **not repayable** and are effectively an additional Voted allocation to the Social Protection Vote which is then transferred to the SIF.

Subventions were required in response to the economic and financial crisis in 2008, and again as the COVID-19 pandemic resulted in a sudden significant decline in PRSI receipts alongside the extra payment of benefits to those unable to work because of public health measures. Figure 1 shows the recent history of subventions to the SIF. The largest of which was in 2021 (over €2.6 billion); however, the prolonged period of subventions (2010 to 2015) amounted to almost €7.4 billion.

[6] Economic and Social Research Institute, Increasing pay related social insurance to fund the state pension: Incidence and effectiveness (June 2024) p. 1.
[7] Parliamentary Budget Office, An overview of the Social Insurance Fund (SIF) 2018.

**Figure 1: SIF Subventions (Gross) 2009 - 2025**




Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, 'Databank' (Accessed 23 May 2025).

## 2.1. SIF Income

The primary source of income for the SIF is PRSI contributions. For 2025, PRSI contributions are estimated to account for 98.5% of the SIF's forecasted income, amounting to €18.15 billion. This has been aided by the 0.1% increase in PRSI contribution rates from 1st October 2024.[8] Table 1 provides a breakdown of all estimated income sources for 2025.

**Table 1: Estimate of Income of the Social Insurance Fund 2025 (€ million)**

| Income | Current | Total | % of Total |
|---|---|---|---|
| Income from PRSI contributions | 18,145.60 | 18,145.60 | 98.484% |
| Income earned from surplus | 230 | 230 | 1.248% |
| Income from recovery of overpayments which were realised in previous years | 20.78 | 20.78 | 0.113% |
| Income from recovery of redundancy and insolvency payments from employers | 5.87 | 5.87 | 0.032% |
| Income from recovery of social insurance fund scheme expenditure from insurance compensation awards | 22.20 | 22.20 | 0.120% |
| Other income | 0.46 | 0.46 | 0.002% |
| **Total Income** | **18,424.91** | **18,424.91** | |

Source: PBO based on the Department of Public Expenditure, NDP Delivery and Reform, The Revised Estimates for Public Services 2025 (December 2024) p.179.

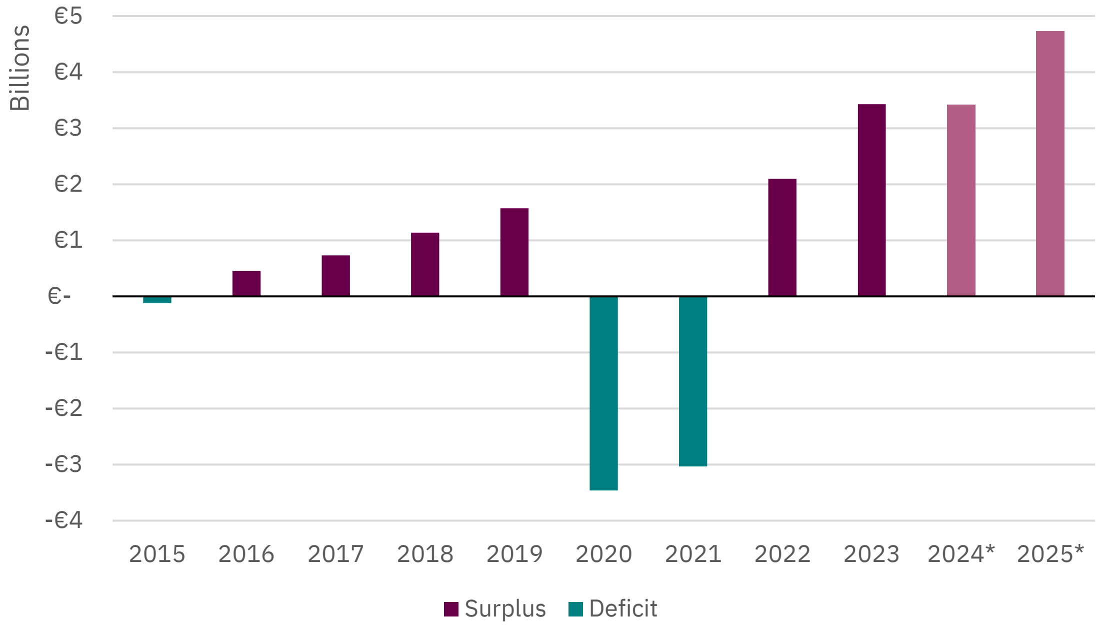
[8] Department of Social Protection, Advance Notice effective from 1st October 2024 - PRSI Changes (October 2024).

Generally, the SIF generates a surplus but this can quickly change where either the number of people in receipt of payments from the fund increases, the cost of the schemes increases, or where income to the fund declines.

In some cases, these challenges combine, particularly where events result in large declines in employment. In these cases, the fund's PRSI income declines just as its expenditure rises. This combined effect has occurred twice in recent times, first in response to the economic and financial crisis in 2008, and much more recently during the COVID-19 pandemic.

2025 performance figures are based on projections made in the Revised Estimates for Public Services at end December 2024, this was prior to President Trump's inauguration in January 2025. Since then, plans to impose tariffs on Ireland have been put in place and if the tariffs are imposed, they may have a bearing on 2025 figures.[9] All surplus income generated is added to the reserve at year end, Figure 2 illustrates fund performance from 2015 to 2025.

**Figure 2: Performance of the SIF 2015 - 2025**




Source: PBO based on various Social Insurance Fund - Financial statements, 2024 and 2025 are estimate figures based on the Department of Public Expenditure, NDP Delivery and Reform, The Revised Estimates for Public Services 2025 (December 2024) p.179.

[9] RTÉ, 'Over 50,000 Irish jobs could be affected by tariffs, says Donohoe' (9 May 2025).

## 2.2. SIF Expenditure

SIF spending is primarily driven by contributory pension payments, which account for approximately 59% of forecasted expenditure for 2025. Other significant areas of spending include illness, disability, and carers' payments, as well as working-age income supports. Even assuming no change in unemployment, spending on Jobseeker's Benefit could ultimately rise with the introduction of the Jobseeker's Pay-Related Benefit from 31st March 2025. Previously, recipients were entitled to a maximum of €244 per week, whereas recipients of the new benefit are entitled to a maximum of €450 per week, based on individual earnings and PRSI contributions. Details of the payment rates, along with the eligibility criteria, are detailed in Table 2.

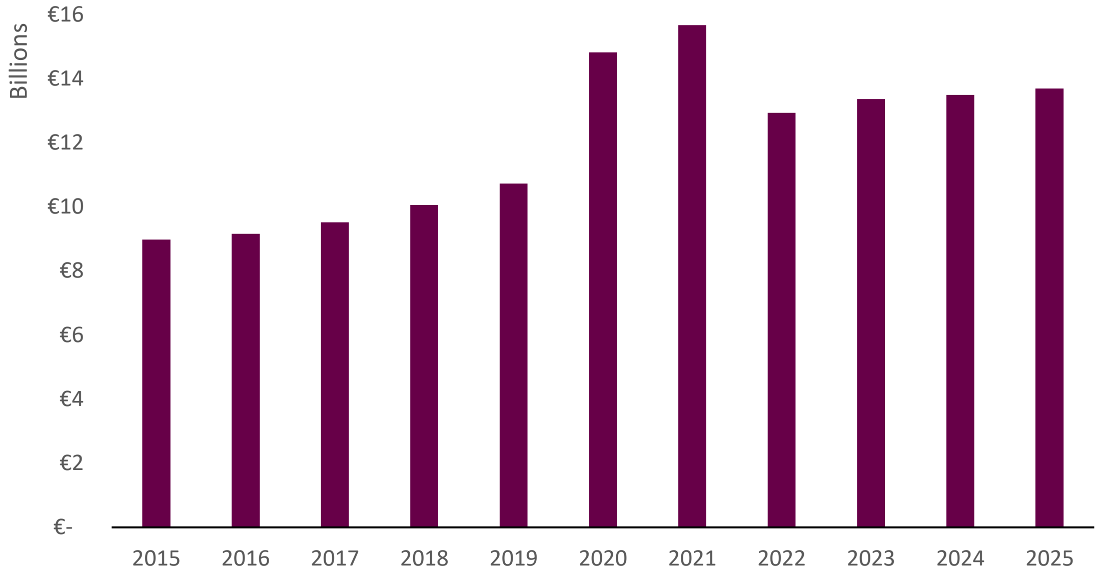
**Table 2: Jobseeker's Pay-Related Benefit payment rates**

| PRSI Contributions | Payment Rate | Maximum Weekly Payment | Duration |
|---|---|---|---|
| **5+ years** | 60% of gross earnings | Up to €450 | First 13 weeks |
| | 55% of gross earnings | Up to €375 | Following 13 weeks |
| | 50% of gross earnings | Up to €300 | Final 13 weeks |
| **2–5 years** | 50% of gross earnings | Up to €300 | 26 weeks |
| **Minimum rate** | Fixed amount | €125 | |

Source: PBO based on the Department of Social Protection, Jobseeker's Pay-Related Benefit (Accessed May 2025).

SIF expenditure has increased year on year as the population ages and the rates of payment increase. However, when sudden changes occur in employment rates, SIF receipts decrease and expenditure increases, as evidenced by the COVID pandemic in 2020 and 2021, as shown in Figure 3.

**Figure 3: SIF Expenditure 2015 - 2025**

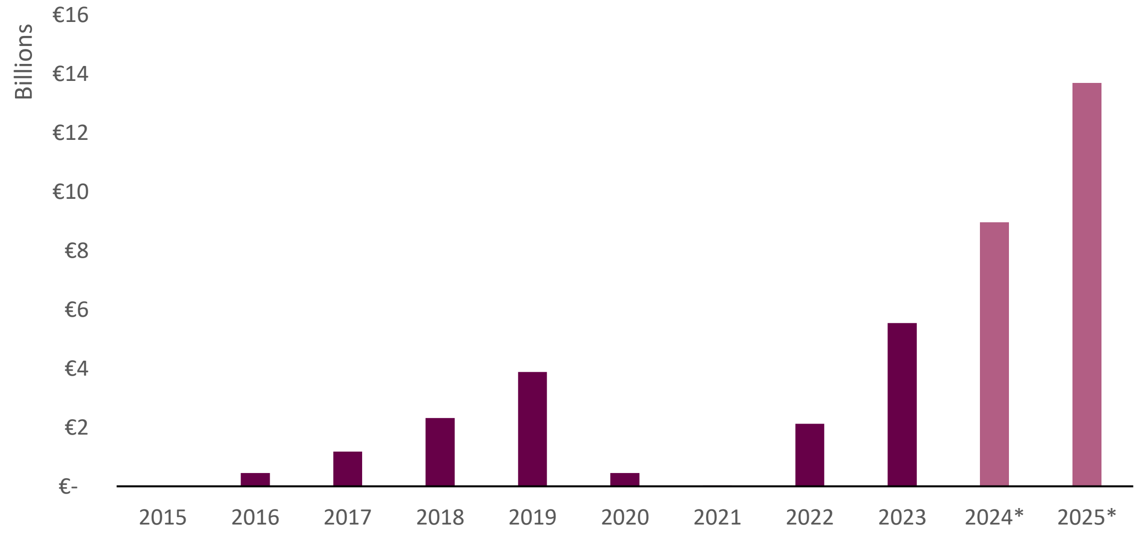



Source: PBO based on various Social Insurance Fund - Financial statements, 2024 and 2025 are estimate figures based on the Department of Public Expenditure, NDP Delivery and Reform, The Revised Estimates for Public Services 2025 (December 2024) p.179.

## 2.3. Threats Facing the SIF

The SIF faces several threats, including demographic pressures, economic fluctuations, and policy changes. The SIF's income and expenditure are subject to considerable volatility. During periods of reduced employment, the SIF experiences both a decline in income and an increase in expenditure. This was evident during the pandemic when expenditure exceeded income to such an extent that the SIF's accumulated reserves (which took years to build up) were exhausted to meet the liabilities in 2020 alone, which meant only €28 million remained in the fund, with almost no buffer heading into 2021. Figure 1 (p.3) in conjunction with Figure 4 highlight how quickly a significant reserve (almost €3.9 billion in 2019) can be eroded, with a subvention of €2.6 billion in 2021 being required.

**Figure 4: Social Insurance Fund Reserves 2015 - 2025**




Source: PBO based on various Social Insurance Fund - Financial statements, 2024 and 2025 are estimate figures based on the Department of Public Expenditure, NDP Delivery and Reform, The Revised Estimates for Public Services 2025 (December 2024) p.179.

Since then, the fund has rebuilt its surplus, with €5.5 billion available at the end of 2023.[10] The SIF will potentially achieve a surplus of €13.7 billion by the end of

[10] Social Insurance Fund, Financial Statements 2023 (July 2024) p.20.

2025 based on projections in the Revised Estimates for Public Services 2025 (see Figure 4).[11]

The actuarial review of the SIF conducted in 2021 projects that SIF expenditure will surpass receipts come 2035, ultimately running a deficit from there on.[12] This is predicted due to an ageing population and with the fund being based on a PAYG model which requires high employment rates to fund its liabilities.

The recent tariffs imposed on Irish exports to the US, as noted in the PBO's publication,[13] particularly those affecting the tech and pharmaceutical sectors, pose a significant threat to high-paid jobs in these industries. As these sectors are major contributors to Ireland's economy, any reduction in exports due to tariffs could lead to job losses among highly skilled workers. In a worst-case scenario the implications of tariffs could be serious, with secondary impacts on industries that support or are supported by these industries.

This, in turn, would increase the demand for social welfare supports, including the newly introduced Jobseeker's Pay-Related Benefit, which offers a maximum weekly payment of €450 based on individual earnings and PRSI contributions. The increased reliance on this benefit could drive increases to the Social Insurance Fund's expenditure alongside reductions to the income of the SIF.

For the SIF to be pushed into deficit in the shorter-term would require tariffs to have a dramatic effect on employment. However, even more modest negative impacts could draw the SIF into deficit ahead of the 2035 projection.[14]

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[11] 2025 surplus figure is based on forecasts made in the Revised Estimates for Public Services 2025 (December 2024), prior to President Trumps tariff proposals.
[12] Department of Social Protection, Actuarial Review of the Social Insurance Fund 31 December 2021 (January 2024) p.10.
[13] Parliamentary Budget Office, Trade between Ireland and the US (April 2025).
[14] Department of Social Protection, Actuarial Review of the Social Insurance Fund 31 December 2021 (January 2024) p.10.

# 3. Conclusion

The Social Insurance Fund (SIF) plays a crucial role in providing financial support through various social insurance schemes funded primarily by PRSI contributions. Despite the fund's resilience and recent surpluses, it faces significant challenges. The introduction of new benefits, such as the Jobseeker's Pay-Related Benefit, and external economic pressures, including tariffs on Irish exports, pose risks to its sustainability.

Additionally, the ageing population presents a long-term challenge for the SIF. The ageing population will result in a lower proportion of workers contributing via the PAYG model even as demand for pension and illness and disability benefits rise, eventually outpacing the growth in PRSI contributions, as noted in the actuarial review. This demographic shift requires strategic adjustments to ensure the fund's viability.

Looking ahead, the SIF must navigate demographic changes and economic fluctuations to maintain its viability. Strategic adjustments and proactive measures will be essential to ensure the fund can continue to meet its obligations and support Ireland's social welfare system effectively.

The SIF plays a vital role in supporting significant cohorts of the population. Careful management of the SIF in terms of its income and expenditure are essential and may necessitate significant political will to address both projected challenges (demographic) as well as unanticipated challenges (likely economic). While increasing income to the SIF, or cutting expenditure (either through reductions in rates of payment or amended eligibility such as age-related criteria), or a combination of measures may be unpalatable; some measures are required to alleviate the pressure funding the SIF will place on Government Expenditure in the future.[15]

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[15] The Pensions Commission, Report of the Commission on Pensions (October 2021) pg.16, and The Economic and Social Research Institute, Increasing pay related social insurance to fund the state pension: incidence and effectiveness (June 2024) pg.1.

As shown, subventions to the SIF can be significant (~€10 billion since 2010). Subventions limit the capacity of Government to direct funds at other priorities, and may well be very significant cumulatively as demographic pressures weigh over the forecast period of the SIF's Actuarial Review (to 2077).

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